Place in the country
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FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY SEPTEMBER 8 1993

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Recovery in west German GDP given cautious welcome

The German economy's downward slide appears *to have bottomed out*, with the latest figures for west German gross domestic product showing a 0.5 per cent recovery in the second quarter.

While the year-on-year figure still shows a decline of 1.9 per cent in GDP compared with the same period in 1992, the 0.5 per cent quarter-on-quarter advance is the first sign of recovery after four periods of negative or zero growth. Page 16; Currencies, Section II

Volkswagen, Europe's biggest volume carmaker, is a duck that has grown too fat to fly, its chairman, Mr Ferdinand Piëch, said. Page 16

Aspin may visit Bosnia: US defence secretary Les Aspin may visit Sarajevo next week to inspect the situation in the beleaguered Bosnian capital, extending a planned European visit. Croatia becomes Balkan villain, Page 2

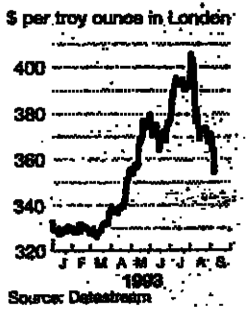
Oil services merger plan: Texas-based companies Dresser Industries and Baroid announced a planned $850m merger which would create one of the most broadly based groups in the global oil services business. Page 17

Nippon Steel, the world's largest steel company, announced that it would post at least Y15bn ($144m) in pre-tax losses for the year because of the prolonged economic slump and the sharp appreciation of the yen. Page 17

Nuclear plant evacuated: Nearly 300 workers were evacuated from British Nuclear Fuels' £2.8bn ($4.2bn) Thorp plant in West Cumbria, UK, after an accidental release of nitrogen oxides. The release was non-radioactive but is highly embarrassing as the new plant is fighting to get its Sellafield nuclear waste reprocessing site into operation.

American Airlines, the largest US carrier, accused European national flag carriers of undermining competition by seeking to delay the passage of a new EC code of conduct for airline computer reservation systems. Page 2

Gold price



Gold loses lustre: Gold dropped $10.10 a troy ounce in London to close at $354.25 yesterday, after touching $351.50 an ounce. The selling wave, set off by computer programmes used by some New York investment funds, sparked falls in other precious metals and gold share prices. Page 26; World stocks, Section II

Fisons, pharmaceuticals and scientific equipment company, reported pre-tax first-half profits of £46.4m ($71m), at the lower end of expectations. Page 17; Lex, Page 16

ASLK-CGER: The prospect of a BFr25bn ($700m) stock market flotation of Belgium's state-owned savings bank is fading. Page 17

Japanese economy 'at standstill': Japan's official economic forecaster has downgraded its assessment of the state of the economy, prompting calls from within the coalition government for a cut in the official discount rate. Page 4

Skanska, the Swedish construction and real estate group, has concluded a series of property deals worth more than SKr2.5bn ($316m) with the Swedish National Pension Insurance Fund. Page 20

Fujitsu, the Japanese electronics and telecommunications company, is planning to cut the number of research and development projects by about 20 per cent in an attempt to reduce costs and focus its R&D efforts better. Page 20

H.J.Heinz, the US food group, surprised Wall Street by posting improved earnings for the first quarter of $152.2m after fears that the food industry might suffer from a price war similar to that affecting the tobacco industry. Page 19

Ansaldo Trasporti, the Italian rail equipment group, signed a joint venture deal to develop and operate a rapid transport system in the West Midlands of the UK. Page 8

WHO warning on Aids: The HIV virus will infect more than 1m women throughout the world during 1993, and 13m women will have been infected and 4m of them will have died of Aids by 2000, the World Health Organisation said. Page 4

■ STOCK MARKET INDICES

FT-SE 100:	3938.6	(-20.4)
Yield	3.79	
FT-SE Eurotrack 100	1277.38	(-6.63)
FT-A All-Share	1511.38	(-0.5%)
Nikkei	20,982.10	(-98.71)
New York: lunchtime		
Dow Jones Ind Ave	3632.81	(-1.12)
S&P Composite	461.97	(+0.63)

■ US LUNCHTIME RATES

Federal Funds:	3⅛%	(2 15/16%)
3-mo Treas Bills: Yld	2.981%	(2.993%)
Long Bond	105⅛	(104 3/32)
Yield	5.881%	(5.94%)

■ LONDON MONEY

3-mo Interbank	5 15/32%	(same)
Liffe long gilt future:	Sep 114¼	(Sep113 25/32)

■ NORTH SEA OIL (Argus)

Brent 15-day	$16.14	(16.525)

■ Gold

New York Comex (Dec)	$352.5	(367.1)
London	$354.25	(364.35)

■ STERLING

New York lunchtime:		
$	1.543	
London:		
$	1.5425	(1.527)
DM	2.485	(2.4625)
FFr	8.745	(8.6775)
SFr	2.185	(2.1675)
Y	160.5	(159.0)
£ Index	81.3	(80.8)

■ DOLLAR

New York lunchtime:		
DM	1.60785	
FFr	5.658	
SFr	1.4142	
Y	104.085	
London:		
DM	1.6105	(1.6225)
FFr	5.67	(5.7225)
SFr	1.417	(1.4295)
Y	104.0	(105.0)
$ Index	64.4	(64.9)

Tokyo close Y 104.1

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr65	Hungary	Ft165	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lv25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils.600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

US vice-president aims to cut waste and bureaucracy in five-year project

Gore's government overhaul pledges savings of $108bn

By George Graham in Washington

US VICE-PRESIDENT Al Gore yesterday promised savings of $108bn over five years from his proposals to cut waste, purge rules and streamline bureaucracy in the federal government.

Mr Gore's report offers a recipe for creating "a government that works better and costs less" by scrapping cumbersome federal rules for purchasing equipment or hiring employees and cutting 252,000 jobs from the government workforce.

The vice-president has been regaling Washington for weeks with the elaborate regulations he found in government purchasing manuals. These include the 10-page specifications for "ash receivers, tobacco, desk type" which, to qualify for government offices must break into no more than 35 pieces when smashed on a maple plank, or the specular reflectance required for federal floor wax.

"We found that government really does not work very well in ways that will take a long time to fix. It is government using a quill pen in the age of WordPerfect," he said.

The report also tries to take a second bite at a number of programmes that President Bill Clinton tried and failed to kill in his budget proposals earlier this year, such as subsidies for producers of mohair and honey.

Standing in front of two forklift trucks piled high with government rules and regulations, Mr Gore said his review could produce results, despite opposition in some quarters of Congress to many of its suggestions.

Around one-third of the suggestions in the Gore report would require legislative action. For the remainder, which could be accomplished by executive order without any change in the law, Mr Clinton promised to take the necessary action.

"This is one report that will not gather dust in a warehouse," Mr Clinton said.

While members of Congress appeared reluctant yesterday to criticise a report whose general theme of cutting government waste commands wide popular support, many are already rallying to oppose efforts to cut programmes that fall under their jurisdiction or benefit their constituencies.

Some of Mr Gore's proposals cut across the entire federal government. They include phasing out the federal personnel manual, a code of practice on hiring and firing which requires 40,000 people to enforce it, coupled with greater leeway for agencies and departments to set their own employment rules.

Agencies would also be freer to buy equipment without going through laborious government purchasing processes that mean the taxpayer pays more for equipment than a private company would pay.

The report proposes merging or consolidating a number of government departments. The Federal Bureau of Investigation should take over the responsibilities of the Drug Enforcement Agency, and possibly also of the Bureau of Alcohol, Tobacco and Firearms.

The air traffic control system should be spun off into a government-owned corporation funded by user fees.

Branch offices would also be slashed. Around one in 10 of the 12,000 agriculture field offices would close, along with five of the Army Corps of Engineers' 11 regional offices and half of the Agency for International Development's overseas missions and many of the US Information Agency's overseas libraries.

The report would require all agencies to review their accumulated regulations over the next two years with the aim of eliminating half of them – a process already embarked upon by former president George Bush.

Reuter

Vice-president Al Gore: government really does not work very well

Reinventing government is not easy, Page 6

Milestone agreement on South Africa

By Patti Waldmeir in Johannesburg

SOUTH AFRICA's constitutional negotiators last night reached a milestone agreement to bring blacks into central government for the first time in history, agreeing to establish a multi-party Transitional Executive Council to oversee the transition to democracy.

The authority of the council will be limited, not least by the fact that the ruling National party is likely to be able to block the council's decisions in the most important areas.

But the council marks the end of 45 years of exclusive National party rule, and represents a big psychological victory for black liberation movements especially the African National Congress.

The council, which will include one member from each of the 20-odd parties negotiating a new constitution, marks the first step toward full multiracial government. It is the first sign of concrete progress from constitutional talks which have dragged on inconclusively for months.

It could ease frustrations in South Africa's black townships, where patience with the negotiating process is wearing thin, and will lead to the lifting of remaining international economic sanctions apart from on oil and arms.

Mr Thabo Mbeki, ANC chairman, said the decision represented "another step" toward lifting sanctions, adding he expected the ANC to call for their removal later this month. The TEC will take office only when agreement has been reached on a new constitution – a process which could still take months.

Equally, however, its installation could provoke a further upsurge in violence, with the ultra-right Conservative party and the Inkatha Freedom party of *Chief Mangosuthu Buthelezi* vowing to oppose it.

The Conservative party said at the weekend that it would regard the installation of the TEC as a declaration of civil war, and Inkatha has said it will not respect the TEC's authority in the KwaZulu black homeland, which it controls. Other homeland governments have also rejected the council though most are leaving open the option of joining the council later.

Armed Israelis march on prime minister's office to protest against agreement

Rabin stands firm on signing PLO deal

By Julian Ozanne and Andrew Gowers in Jerusalem and Tony Walker in Cairo

MR YITZHAK RABIN, Israel's prime minister, dismissed opponents of an historic Palestinian-Israeli deal as "prattlers and liars" yesterday and said he would not be deflected from signing the agreement.

Speaking as thousands of Israeli demonstrators, some armed with revolvers, marched on his office, Mr Rabin said protests "won't budge me at all" from concluding the deal.

In Washington, President Bill Clinton formally offered to host a signing ceremony for the agreement in the White House on September 13, if details of the accord have then been finalised.

The sticking point remained final agreement between Israel and the PLO on the precise terms governing statements of mutual recognition, after which both sides would be ready to sign the declaration of principles governing interim Palestinian self-rule.

Mr Yassir Arafat, the PLO chairman, said in Cairo that this last hurdle should be solved "within 24 hours", and that Israel and the Palestinians were on the eve of a "political turning point".

Israel is seeking commitments from the PLO over its covenant. Palestinian officials say they are prepared to supply such commitments, but say any change in the organisation's charter would require the endorsement of the Palestine National Council, the PLO's parliament-in-exile – something Mr Arafat and his colleagues wish to finesse to avoid both delay and potential internal opposition to the accord.

Mr Arafat left Cairo for Oman yesterday. He is due to return to PLO headquarters in Tunis today for a meeting of the organisation's executive committee, or cabinet, which will discuss both the accord and the terms of recognition by Israel.

Mr Amr Moussa, Egypt's foreign minister, told the Financial Times that while there were still differences between the two sides over mutual recognition, he was "cautiously optimistic" that the gap could be bridged by the weekend.

In spite of yesterday's demonstration against the agreement – which gathered under the banner "Israel is in danger, don't give in" – political momentum in Israel continued to gather behind the deal.

Mr Zalman Shoval, a leading member of the opposition right-wing Likud party, conceded in an interview that his party had little option but to accept the agreement and look forward to a general election in 1996.

He said: "It is a done deal. It is irreversible."

Mr Shoval, head of Likud's foreign relations bureau and former ambassador to the US, said that in spite of rhetoric from Likud hardliners, the party would not support fighting the agreement on the street.

Mr Moshe Shahal, the police minister, said he was deploying 2,500 policemen to prevent the demonstrators from carrying out their threat to blockade Mr Rabin's office and warned them that the government would act with firmness against lawbreaking.

Meanwhile, Israel suggested that international donors should provide $50m in immediate aid to the occupied territories after a PLO-Israeli peace deal.

Prof Jacob Frankel, governor of the Bank of Israel, said such a transfusion should be provided to effect a "visible improvement" in conditions and stabilise the political situation, especially in the impoverished Gaza Strip.

He also confirmed that Israel was seeking an internationally co-ordinated, multi-year aid programme for the territories, possibly organised by the World Bank and European Community.

"We need to learn lessons from the experience, good and bad, of the international effort to channel resources to the former Soviet Union," he said.

"It will be important that there is some co-ordination. Bilateral efforts by one country or another for political gain may not yield the right portfolio of projects to serve the region to best effect."

Moussa "optimistic" on accord, Page 4

Former Soviet republics bow to Moscow over rouble

By Leyla Boulton in Moscow

FIVE former Soviet republics yesterday pledged to give up their fiscal and monetary policies as the price for using the Russian rouble as their currency.

The agreement – signed by Russia, Uzbekistan, Kazakhstan, Tajikistan, Armenia and Belarus, which decided to join despite already having its own currency – marks a retreat from the republics' declarations of national sovereignty, in the face of harsh economic reality. The accord has yet to be endorsed by national parliaments.

The republics, pushed to make a decision after Russia invalidated pre-1993 rouble notes in circulation on their territory, are fearful of introducing their own fully fledged currencies or at least wish to continue receiving gifts of cash until they are ready to go it alone.

Mr Boris Fyodorov, the Russian finance minister, said the deal allowed the retention of a common trading area for producers who could not compete in western markets. He added that a transitional period would show which republics were keen to build an economic union and which were simply seeking short-term benefits.

The accord establishes a transitional period of several months during which it will be up to the five republics to adjust their economic legislation to Russia's and conclude bilateral agreements with Moscow, abiding by its monetary and fiscal targets. In the meantime republics will use their own surrogate currencies or receive new rouble banknotes with special markings blocking use of them inside Russia.

Although the rouble zone agreement is designed to prevent republics from exporting inflation to Russia, political considerations are likely to impede Moscow's ability to enforce its rules. Uzbekistan, for instance, has already received a gift of Rbs50bn of new Russian rouble banknotes in a decision which Mr Alexander Shokhin, deputy prime minister for foreign economic relations, yesterday described as illegal.

The new rouble zone is one of three options for economic union that Russia has been discussing with the former Soviet republics.

Ukraine has been considering another one of them, labelled as "intensive economic integration", which would set up a barrier-free trading area with common customs, but enable signatories to retain their own currencies.

Mr Shokhin disclosed that even under this option, Ukraine, whose surrogate currency has plunged because of its lack of any financial discipline, would have to follow Russian budgetary and fiscal policy to maintain the parity of its currency with the Russian rouble.

Mr Boris Fyodorov, the deputy prime minister responsible for finance, poured cold water over the whole project when he said it was unlikely that Ukraine, despite being in the throes of

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American Airlines hits at EC rivals

By Paul Betts, Aerospace Correspondent

AMERICAN Airlines, the largest US carrier, yesterday accused European national flag carriers of undermining competition in the European airline market by seeking to delay the passage of a new EC code of conduct for airline computer reservation systems (CRS).

American Airlines, owner of the world's largest computer reservation system called Sabre, has been frustrated in its efforts to expand its network in Europe because of what it claims are efforts by European flag carriers to maintain the dominant position of their own CRS systems in the European market. The US company also claimed that European airlines such as Air France, Iberia and Lufthansa are attempting to shelter themselves from vigorous fare competition from smaller airlines provided through Sabre's fare-shopping system. This allows users to find the lowest fare for a seat on any airline in seconds.

The US complaint comes on the eve of a two-day meeting in Paris today of European air transport officials. Mr David Schwarte, American Airlines' legal adviser, said the US carrier hoped the meeting would help clear the way for rapid approval by EC transport ministers of the new European CRS code later this month. The code was blocked last June following pressure from the Association of European Airlines (AEA), the trade organisation grouping 23 European carriers.

The AEA complained that the code was tantamount to a "sell-out of European interests" because it would make it mandatory for large European carriers to participate in Sabre. The AEA argued that mandatory participation by European airlines would give American Airlines an unfair advantage because the US carrier directly owned the CRS and would be able to monitor schedules and bookings of the competition.

The AEA said the code would only be acceptable if there was a physical separation (or what the industry calls dehosting) of the airline's internal computer systems from the CRS marketed to the travel industry. European CRS systems, owned by groups of airlines, are already dehosted and limit their owners to viewing only their data.

But Mr Schwarte said this issue was a "red herring" aimed at delaying implementation of the new CRS rules. "It is the way a system is programmed that determines whether or not it is neutral and provides appropriate safeguards for confidential information," he added.

He also said that if American Airlines compromised the neutrality of Sabre, it would destroy the system's credibility. "After an investment of nearly $2bn (£1.3bn), we're hardly likely to put this at risk by not playing the game according to the rules," he said.

Protection urged for currencies in EMS

By Lionel Barber in Brussels

THE Belgian presidency of the EC yesterday called for new measures to better defend the European monetary system against speculative attacks in the currency markets.

Mr Philippe Maystadt, Belgian finance minister, told the European Parliament that firm proposals would be put to the EC summit in Brussels in December. This would allow a period of reflection on the August 2 monetary crisis which led to the de facto suspension of the Exchange Rate Mechanism. Some EC member states, including Belgium and France, have made noises about curbing the power of "financial speculators" but the majority are nervous about any move which could be interpreted as the reimposition of capital controls.

In his testimony to MEPs yesterday, Mr Maystadt – accompanied by Mr Henning Christophersen, EC economics commissioner – declined to outline specific measures to protect the EMS but both suggested a Community approach would be preferable. This involved protecting the EMS as a "common good" and putting more emphasis on the system bearing the risks of intervention to support threatened currencies, rather than the targeted countries themselves.

Mr Maystadt said sticking to present parities within the new 15 per cent fluctuation bands was dangerous: so too, was a return to the old, narrow bands of 2.25 and 6 per cent respectively.

Croatia becomes Balkan villain

Zagreb seems destined to join Belgrade in international isolation, writes Laura Silber

THE Croatian president, Mr Franjo Tudjman, has so far avoided punishment for the violent partition of Bosnia in spite of all the western outcry over the Bosnian war in recent months. But failing a radical policy shift, Croatia seems destined soon to join Serbia in international isolation.

As the present escalation in fighting in central Bosnia shows, Croatia has now fulfilled all the criteria that earned Serbia its punitive sanctions last year. Croatian regular army units are backing their Bosnian proxies in a bid to carve out a Croatian mini-state. Relief officials have accused the Croatian Defense Unit (HVO), Bosnian Croat forces, of "ethnically cleansing" Moslems from villages and towns.

Television pictures in recent days of Moslem prisoners in Croat detention camps have shocked the international community – almost a year to the day after scenes of Serb-held camps outraged the west.

Meanwhile, Mr Tudjman this week reiterated his refusal to hand over territory to his Moslem adversaries, in defiance of appeals and threats from the international community to make some concessions to the mainly Moslem Bosnian republic seeking to revive the Geneva peace talks.

"Moslems are demanding part of the coast which would amount to a territorial division of Croatia," said Mr Tudjman, indicating his belief that the Croat areas of Bosnia were already part of a Croat state.

So far western governments have avoided talking about sanctions against the Croats too openly, partly because of strong opposition from Germany. But with the breakdown in talks, the momentum appears to be growing, not least because sanctions could yet provide an easier option than air strikes for Britain and others to swallow.

For a western public accustomed to seeing the Serbs as the main villains in the conflict, Mr Tudjman's intransigence is perhaps surprising. However, his position is not new. The main difference between Croatian and Serbian policies towards Bosnia is quantitative. The Serbian army is better armed, bigger and has seized three times as much territory. But the politics of destruction have become devastatingly similar.

In March 1991 Serb and Croat leaders met in the Serbian resort of Karadjordjevo to plot Bosnia's two-way split. Their plans were postponed three months later when the rebellion of Serbs in Croatia, backed by Mr Slobodan Milosevic, erupted into full-scale war against Zagreb, leaving Serb rebels in control of almost one-third of Croatian territory under the nominal supervision of a 15,000-strong force of UN peacekeepers. However, his announcement this summer in Geneva of a Serb-Croat plan to partition Bosnia fuelled concerns among the Moslems in Bosnia, and sparked ire among Croatian politicians and leading figures.

Mr Tudjman makes no secret of his assumption the Croat regions in Bosnia will be part of Croatia, but the Serb declaration of a state in Croatia has left him in an increasingly difficult position on Bosnia.

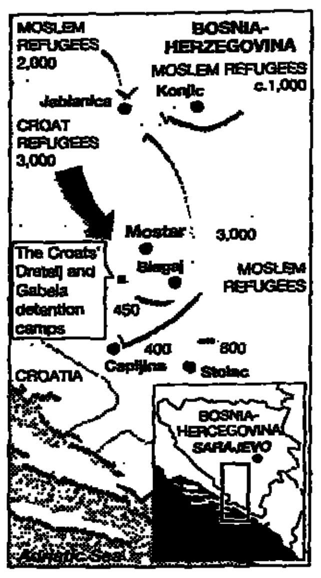
Most Croat politicians in Zagreb, except for the powerful "Hercegovina lobby", have opposed Mr Tudjman's moves to carve up Bosnia. Some nationalists have rejected the partition because their vision of a Greater Croatia includes all of Bosnia. But most fear that the republic's division sets a dangerous precedent for the similar transformation of Croatia into a confederation with Serb rebels. While it seems that Greater Croatia is within his grasp, Mr Tudjman is playing a risky game.

Ethnic onslaught

UN officials yesterday warned that more "ethnic cleansing" and brutality had started in central Bosnia (see map), fuelled by the latest Bosnian partition proposals, writes Gillian Tett. Up to 10,000 Moslems have fled from Croat-held areas such as Stolac and Prozor to Jablanica, creating a humanitarian crisis there.

Several thousand Croats have arrived in the Mostar region from Moslem areas.

The UNHCR yesterday said it was particularly concerned about 2,500 Moslems said to be held in detention camps near Mostar. "We have reports of people being starved, beaten, forced to drink urine and executed," a spokesman said.



Franc's new freedom fails to raise job hopes

By David Buchan in Paris

MOST French remain sceptical that last month's semi-float of European currencies gives Paris much scope to tackle the country's record unemployment, according to a Sofres poll to be published in Expansion magazine tomorrow.

In what is the first French poll since the August 1 changes in the European monetary system to focus on policies, 53 per cent said they did not believe the widening of currency bands would allow France to start reversing the loss in jobs. Faith in monetary union also appears unshaken: 64 per cent believe the changes will merely delay a single currency; 12 per cent consider monetary union still on target, while 9 per cent think the project is dead.

UK journalist sources probe

BRITAIN was ordered yesterday to face a European human rights investigation over a court order that a journalist disclose his source of information, Reuter reports from Strasbourg.

The European Commission of Human Rights examined a complaint by British journalist William Goodwin of The Engineer magazine that the 1989 order to hand over his notes, upheld on appeal by the House of Lords, violated his freedom of expression guaranteed by the European Convention on Human Rights.

The Commission declared Mr Goodwin's application admissible, meaning Britain will have to defend itself before the European Court of Human Rights unless the two sides reach a settlement.

It was the second time in two days that Britain had been ordered to face the Strasbourg court. On Monday the Commission accepted a suit by relatives of three unarmed IRA terrorists shot dead by British commandos in Gibraltar in 1988.

The Goodwin case concerns information the journalist obtained by telephone about the financial problems of an undisclosed company, which was seeking a loan.

The company said the information came from a stolen draft of its confidential corporate plan and obtained a court order barring publication.

Greek PM left with majority of one

By Kerin Hope in Athens

THE Greek government appeared close to collapse yesterday after the ruling conservatives' majority in parliament was cut to just one vote.

A right-wing backbencher, Mr Stefanos Stefanopoulos, declared he was leaving the New Democracy party to sit as an independent. Mr Stefanopoulos is one of a handful of conservative deputies backing Mr Antonis Samaras, a former foreign minister who founded a breakaway political party two months ago and is now trying to topple the government.

On Monday, Mr Samaras, the leader of Political Spring party, called on dissident conservative deputies to rally behind him, saying it was time to "rebel against outdated attitudes".

Mr Samaras, sacked as foreign minister last year for taking a hardline position on Balkan policy, is thought to have at least five supporters in parliament. But only two defections would be needed for him to succeed in overturning the government's fragile majority in the 300-member chamber.

The prime minister, Mr Constantine Mitsotakis, accused Mr Samaras, a former political protégé, of betrayal. He has already warned the dissidents that he will seek an early election if the conservatives lose their parliamentary majority.

Mr Mitsotakis held emergency meetings yesterday with cabinet ministers and senior party officials. However, it was not clear whether any more of Mr Samaras's supporters would leave New Democracy. The rebellion started a year ago over the government's plans for structural reform.

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Appeal to Tapie on football club

By Alice Rawsthorn in Paris

MR Bernard Tapie, chairman of Olympic Marseilles, the top French football team now in disgrace over match-rigging allegations, was yesterday called on to rescue the team which faces financial ruin following its expulsion from this season's European Cup.

Marseilles, which in May became the first French team ever to win the tournament, faces a serious shortfall in gate receipts after Monday's decision by Uefa, the regulatory body for European football, to ban the club from this season's competition.

Mr Tapie had threatened to file for the club's bankruptcy and resign if the ban was upheld. The tournament is worth up to FFr150m (£17m) in television rights, ticket sales and other revenues.

The ban has drawn angry, sorrowful reactions from the French press and fans in the economically troubled French port, where the football team is one of the few success stories. The mayor of Marseilles, Mr Robert Vigouroux, yesterday urged Mr Tapie to keep the club alive.

Mr Tapie, a former socialist minister and entrepreneur who made a fortune in the 1980s by buying up bankrupt companies, has invested heavily in Marseilles since becoming chairman in 1986.

However, his financial position is now considerably weaker as he has sold most of his business interests, including his stake in Adidas, the German sporting goods group.

Meanwhile, a number of other French clubs appeared to be procrastinating over their pronouncements on Monday night that they would refuse to replace Marseilles as France's representative in the tournament.

Deal will prise open German power sector

By Judy Dempsey in Berlin

AN Anglo-American consortium is poised to break into east Germany's highly regulated energy structure, which will open up the region to more competition.

The consortium – led by Britain's PowerGen, NRG of *Minneapolis and Morrison* Knudsen of Idaho – is buying Mitteldeutschen Braunkohle (Mibrag), the large lignite open cast mines straddling the eastern state of Saxony-Anhalt. It is also buying a 44 per cent stake, or the equivalent of 400MW capacity, in a power generating plant being built at Schkopau, near Leipzig.

The deal, expected to be signed later this month, follows 18 months of negotiations with the Treuhand agency charged with privatising east German industry.

The purchase of Schkopau is the main prize. Besides paying DM800m (£320m) for its stake, the consortium will have access to the power grid.

The grid is controlled by Veag, eastern Germany's big utility company, and effectively monopolised by west Germany's eight utilities. This structure restricts participation by outsiders. However, a spokesman *for Veag confirmed* yesterday that Veag would buy 400MW from Schkopau, which will give the Anglo-Americans indirect access to the grid. The consortium will also have authority to build or buy into more power blocks and sell its energy via the Veag grid.

"This is the beginning of the breaching of the energy monopoly in eastern Germany," an energy expert said *yesterday*.

He added the group was well placed to exploit the potential of Buna, large chemical works in Saxony-Anhalt which the Treuhand is due to privatise, and Leuna, the oil refinery in which Elf Aquitaine, the French oil company, holds a stake.

The deal's two-tiered price arrangement will be based on a down-payment and will be linked to the amount of lignite mined over several years. It is crucial for the Treuhand, as the sale of Mibrag sets a precedent for privatising the giant Laubag lignite fields in Brandenburg.

Czech church expects no miracles in talks

By Patrick Blum in Prague

AS THE Czech Roman Catholic Church prepares to open talks with the government on the restitution of property nationalised by the Communists after 1948, Father Miloslav Fiala is optimistic. "I think we will find an acceptable compromise," he says.

But after four decades of communism, Fr Fiala, spokesman for the Czech Episcopal *Conference, evidently* does not expect miracles in the negotiations later this month on the return of its former earthly goods.

"Opposition [to restitution] has been relatively strong, and we must be prepared for a compromise," says Fr Fiala. "The Church has to realise that it will not obtain all the proper*ties nationalised in 1948*." The amount of property involved is considerable, with land representing about 1 per cent of all land in the Czech Republic. Some politicians have suggested the Church is being greedy in wanting all the land back, and they say restitution should be limited to what is needed for the Church's liturgical activities.

Before the Communists took over in 1948 the Catholic Church owned about 169,000 ha of forests, 46,000 ha of agricultural land, 1,000ha of rivers, lakes and reservoirs, 1,419 ha of gardens and parks, and 3,024 buildings, including educational facilities and workshops. No one knows the property's value at today's prices, though some estimates suggest it could be worth Kcs 60bn ($2bn).

Prague's cathedral is still in state hands. Although the churches themselves fell under state control, they were not formally nationalised. In 1991 the Church won back some monasteries.

Fr Fiala says opposition to *full restitution*, which was the Church's original objective, has come not only from left-wing politicians and parties, but also from within the liberal parties established after the 1989 revolution that ended communism.

The issue has divided the four-party government coalition led by the liberal free-market Civic Democratic party (ODS).

The ODS wants to limit restitution to property directly held by the state, and excluding commercial interests.

Fr Fiala argues the church must have an income to exist and to do its work. "We have practically nothing," he says, apart from revenue from educational activities, proceeds from small parcels of land returned to monasteries in 1990-91, and support from religious orders abroad. Income from forestry alone could provide about Kcs50m – Kcs70m annually.

Last week, Prague Archbishop Miloslav Vlk said restitution of Church property was not "the most important *reason why the Church is* here".

The Church had been without property for 40 years and could continue that way if necessary, but the property would ensure its independence and enable it to fulfil its "special role" in society.

Poles' fear of future obscures past

Christopher Bobinski and Anthony Robinson on support for parties with communist roots

POLISH voters seem poised to legitimise the discredited Communist party's re-named "social democratic" successors, only four years after the Solidarity movement inflicted a humiliating electoral defeat on the ruling Communist party.

If the opinion polls are to be believed, a clutch of left-wing parties with their roots in the communist past are expected to be the main gainers in Poland's third post-communist era elections on September 19.

The Democratic Left Alliance (SLD) led by Mr Alexander Kwasniewski, a former communist who played a key role in negotiations with Solidarity four years ago, is within sight of overtaking Solidarity's main successor party, the Democratic Union (UD) as the largest single party.

The SLD's rural equivalent, the Polish Peasant Party (PSL), is achieving similar success in garnering votes from a disgruntled rural population which still makes up 40 per cent of the Polish electorate.

The strength of the left contrasts with confusion and division among the anti-communist right and the former *Solidarity* parties.

The implications for Poland's international standing and economic health provoked Mr Leszek Balcerowicz, the non-party economist widely regarded as the author of Poland's painful but successful shock therapy reform programme, to warn this week that Poles should beware "the parties of printing easy money" and vote for those who made Poland's private enterprise revolution possible.

These include the free market Liberal Democratic Con*gress (KLD) led by Jan Krzysz*tof Bielecki, a former prime minister, which is most threatened by the leftward shift indicated by the polls.

The renewed attractiveness of the left reflects fears that, despite rising industrial production and predictions that Poland will achieve the highest rate of economic growth in *Europe this year, unemploy*ment will continue to rise beyond an already high 15 per cent.

The leftward tilt also comes as memories of past privations under the communists fade and are replaced by anxiety that the future will bring the dismantling of the welfare net and limited access to free schooling and health facilities.

This is all in contrast to the last general elections in 1991 when it was the fractious right-wing parties, with their populist, reflationary economic slogans, which won enough of the protest vote to be able to form a short-lived government led by Mr Jan Olszewski. Now these groups, which are suspicious of foreign investment and want to purge former communists from public life, are also struggling – along with their liberal and free market KLD rivals – to cross the new 5 per cent barrier introduced to limit the proliferation of small parties which characterised the last parliament.

The strength of the PSL in *the countryside underlines one* of the ironies of post-communist Poland. The deeply Roman Catholic and conservative small farmers who made life so difficult for the communists now look back with nostalgia to the old days of meat shortages in the shops and guaranteed prices for farmers: they have suffered a steep fall in income because of competition *from subsidised EC imports*.

All this leaves the Democratic Union (UD) as the only mainstream party with its origins in Solidarity in a position to challenge the regressive trend. This is partly to do with the personal popularity of Ms Hanna Suchocka, who emerged from relative political obscurity in July 1992 to become prime minister. The UD hopes that her popularity will help the party capture about 20 per cent of the votes, the most any party can hope for in Poland's still fragmented political scene.

The strength of personal support for Ms Suchocka has turned the election campaign into something of a "beauty *contest" between the outgoing* prime minister and President Lech Walesa, the once charismatic leader of Solidarity.

Mr Walesa's new bid to secure a strong personal power base by promoting his so-called "Non-Party Movement for Reform" (BBWR) does not appear to have made many converts. The movement, which was formed in July, won *an initial 10 per cent support* in the polls but appears to have lost momentum.

Much is at stake for the president. If his movement fails to overcome the 5 per cent hurdle (or 8 per cent for coalitions) it would place a question mark over his chances of re-election in the 1995 presidential race. But, mindful of the criticism which followed his promise during the presidential campaign two years ago that privatisation would leave every Pole $10,000 better off, Mr Walesa is no longer promising miracles.

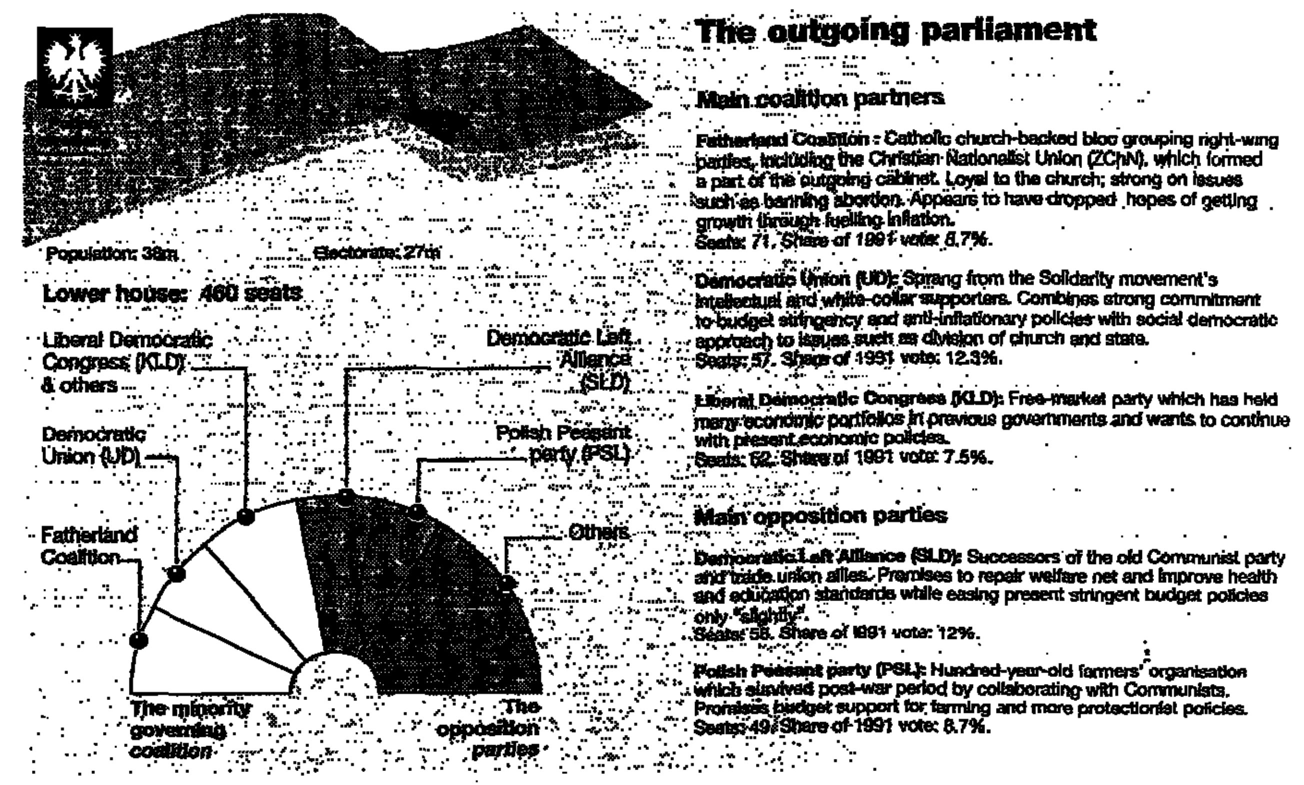
This unwillingness to make rash promises is indeed a general characteristic of this campaign, partly at least because *many of the politicians taking* part have had the sobering experience of taking part in government over the past four years. This has given them direct knowledge of the constraints imposed by powerful external bodies such as the International Monetary Fund and the World Bank, and awareness of the dangers inflation would bring if monetary *policies are eased too much*.

What is significant is that the broad unspoken consensus in favour of continuing with market reforms means that the main outlines of the economic policies of the past four years are not directly challenged by any party.

Even the post communist SLD talks of the need to keep the budget deficit to around the 5 per cent of gross domestic product required by the IMF, although the rural PSL and the anti-communist Confederation for an Independent Poland (PKN), with their suspicion of the EC and foreign investment, talk of raising the limit to 7 per cent.

Neither of these parties is known for its economic sophistication and it is questionable whether they or their supporters are aware of the consequences of such an apparently small deterioration in Poland's hard-won fiscal rectitude.

No single party will emerge as the clear winner but as the political debate heats up, the Solidarity-based parties will strive to remind Poles of the miseries of their recent communist past.



Moussa 'optimistic' on accord

By Tony Walker in Cairo

"I WANT to assure you that this is a baby for sure, but when it will be born depends on a lot of things, but born, it will be," Mr Amr Moussa, Egypt's foreign minister, said yesterday as he spoke of progress towards a Palestinian-Israeli peace in which his country has played a considerable behind-the-scenes role.

While Mr Moussa did not wish to claim credit for having facilitated negotiations between the Palestine Liberation Organisation and the Israelis, there is no doubt that Egypt is assuming crucial importance in helping to deliver an historic agreement between once bitter foes.

Mr Yassir Arafat, the Cairo-born Palestine Liberation Organisation leader, has visited Egypt three times since details emerged late last month of a ground-breaking agreement with Israel, using the Egyptian capital as a staging point for his forays into the wider Arab world.

In Cairo yesterday, he held yet another round of talks with Egyptian officials, including President Hosni Mubarak, before heading off to Oman in the Gulf to drum up support.

Mr Arafat had been unwelcome in almost all the Gulf states since his embrace of Iraqi President Saddam Hussein during the Gulf crisis of 1990-91.

Mr Arafat's stance alienated his most important paymasters, the Saudis and Kuwaitis.

Mr Moussa, who had participated in private talks yesterday with Mr Arafat, said in an interview he was "cautiously optimistic" that the agreement on mutual recognition could be concluded by the weekend ready for signature in Washington next week.

The Americans have nominated next Monday for the signing.

"We see good intentions on both sides," he said. But "formalities are formalities, and technicalities are technicalities, so discussions continue."

The Israelis are pressing the Palestinians to give specific undertakings to revise the PLO charter which, among other things, calls for the elimination of the State of Israel. Palestinian officials say they will give these undertakings, but formal revision of the PLO covenant would require approval of the Palestine National Council, or parliament-in-exile, the PLO's supreme policymaking body.

Egypt, the only Arab state to have made peace with Israel – the two countries signed their peace agreement in 1979 – is providing the benefit of its experience in negotiating detailed agreements with the Jewish state. Interestingly, several officials providing counsel to Mr Arafat were intimately involved in the Camp David process following late President Anwar Sadat's groundbreaking visit to Jerusalem in 1977.

Among these officials are Mr Moussa himself who was head of the international department of the Egyptian foreign ministry at the time of Camp David, and Dr Osama al-Baz, who was a key aide to Mr Sadat and is now Mr Mubarak's political adviser.

The two men were among a small number of Egyptian officials who were aware of developments from an early stage of the secret Palestinian-Israel negotiations in Norway.

Mr Moussa is careful in describing Egypt's role to date, saying merely: "The Palestinians I would say trust our judgment. Our opinion is given honestly with no ulterior motives. We provide advice when needed."

While the minister is careful about claiming credit for positive developments, he is less coy about his own country's interest in a successful outcome. Egypt is anxious that other Arab countries should join it in making peace with Israel. It also believes that peace between Israel and its neighbours is the best antidote to the worrying spread of Islamic extremism throughout the Arab world. Egypt itself has been a particular target recently.

Describing Camp David as the first stage in a long process aimed at calming the region, the Madrid conference of 1991 as the second, and the proposed mutual recognition between Israel and the PLO as the third, Mr Moussa says: "The major instability in this region emanates from this particular problem. If it is settled it will contribute to the amelioration of the general climate, and it will militate in favour of a more stable Middle East."

Egyptian foreign minister Amr Moussa: behind-the-scenes role

Revenge of Kenya's Arab 'squatters'

Leslie Crawford on trouble in an African paradise

AS THE dhow sailed towards Lamu, an ancient Arab settlement off the Kenyan coast, the damage of recent riots came into focus: buildings on the waterfront blackened by fire and exposed to the elements without their traditional thatched roofs; donkeys scavenging in the rubble; groups of young men as taut as flintlocks, still defiant after the troubles.

For more than a year, Lamu's 15,000 inhabitants have endured bandit attacks on the road to Malindi, their main link to the outside world and the island's economic lifeline. Eight people have been killed, causing bus companies to suspend services along the route.

One Friday in August, after midday prayers, several hundred Moslems marched to the town square with the intention of petitioning the district commissioner for greater police protection on the Malindi road. He refused to meet them, and ordered police to disperse them.

Nobody will say who started the fire. But the customs building and court offices were torched, and the strong south-east trade winds swept the flames over the thatched *makote* roofs of the Standard Chartered Bank, seafront restaurants, shops and Petley's Inn, the oldest hotel on the island.

Kanu Hall, headquarters of Kenya's ruling party, was also set ablaze. It was the greatest destruction Lamu had seen since a war against the rival city-state of Mombasa in 1810.

Hundreds of tourists were ferried to the relative safety of the mainland. They have not returned.

"The district commissioner treated us like animals," says Mr Karim Rajan, a local guest-house owner. The DC is hated for his heavy-handedness, but even more so because he is a non-Moslem and a "foreigner", a political appointee who comes from Kenya's hinterland. He has taken to sleeping on a navy patrol boat.

Not a single state school has been built on the coast since independence 30 years ago

The riots were not only about banditry. All along the coast, Kenya's Swahili people, Moslems of Arab-African descent, have been nursing a growing litany of grievances against the government in Nairobi.

"We are treated like third-class citizens just because we have Arab blood," says Mr Mohammed Abubakar, the deputy manager at Standard Chartered in Lamu. Moslems, he says, are barred from holding top government jobs or senior academic posts. While local government is run by "up-country" officials, the coastal provinces have been neglected. Not a single state school has been built on the coast since independence 30 years ago. And the coastal people have watched with increasing alarm as their land is parcelled out to powerful politicians, hotel developers, or resettlement schemes for mainland tribes.

"We are regarded as squatters, even though we have been here for 1,000 years," says Mr Abdul Nassir, a soft-spoken carpenter who has emerged as the leader of Lamu's Moslems. "All our attempts to get title deeds for our farms have been rebuffed."

As resentment grows, the coastal strip from Lamu to Mombasa is becoming fertile ground for radical Moslem groups. "The up-country people used to call us sleeping dogs; now they call us terrorists, fundamentalists," says Sheikh Khalid Salim Balala, one of the founding members of the 18-month-old Islamic Party of Kenya.

Kenya's lawless frontier with Somalia has become a breeding ground for radical Moslem groups

Sheikh Balala has endured six spells in prison for his inflammatory speeches and calls for political strikes in Mombasa. He is a bit of an embarrassment to Kenya's mainstream Moslem leaders, and while many distrust his motives, he is winning a growing number of followers with his demands for Moslem political power.

"We are 8m Moslems in Kenya – one third of the population – but we are a dead community," Sheikh Balala says. "Our leaders have been docile and incompetent; they have done nothing for us. We deserve a greater presence in government, in academia, in all walks of life."

He does not shy away from being called a fundamentalist, but denies his party is being financed by hardline Islamic groups abroad.

The government in Nairobi thinks otherwise. It has refused to register the party as a legal organisation, calling it a threat to the established political order.

Kenya's lawless frontier with Somalia has also become a breeding ground for radical Moslem groups since the arrival of aid agencies from the Gulf. Diplomats and government officials say many of these relief organisations are merely fronts to promote *sharia* law among the thousands of destitute refugees in the border camps. The fundamentalist government in Sudan, recently placed on Washington's list of terrorist states, is also believed to be involved.

So far, these groups have preached peaceful activism, but the threat of violence is never far from the surface. "The government is doing its utmost to prevent Moslems uniting along the coast," says Mr Nassir. "But if there are no changes, and the government continues to respond to our demands with weapons, they will be responsible for the consequences."

Japan admits economy at 'standstill'

By William Dawkins in Tokyo

JAPAN'S official economic forecaster has downgraded its assessment of the state of the economy, prompting calls from within the coalition government for a cut in the official discount rate.

The Economic Planning Agency, which has held a stubbornly sanguine view of the prospects for recovery this year as most other public and private sector forecasters have sharply downgraded their expectations, yesterday admitted that the economy was at a "standstill" and "stagnating".

This indicates serious official concern that the downturn may have to hit bottom twice before a recovery, though Mr Morihiro Hosokawa, the prime minister, yesterday chided the agency for being too optimistic. The agency maintained in June that the downturn had hit bottom and two months later said the economy was at "somewhat of a standstill".

Economic problems have quickly overtaken plans to reform Japan's creaking political system, to occupy 80 per cent of Mr Hosokawa's time, says a government official.

According to Mr Hirohisa Fujii, finance minister, there is no consensus among cabinet members on when recovery might come. The EPA is nevertheless sticking to its forecast of 3.3 per cent growth in gross national product this year. That compares with 1.5 per cent in 1992 and is far more optimistic than the market consensus of growth between 0.3 per cent and 1.5 per cent for this year.

Mr Yasushi Mieno, governor of the Bank of Japan, said there were no clear signs of recovery. But he refused to be drawn on a widely expected imminent cut in the official discount rate, already at a post-war low of 2.5 per cent, beyond saying that the bank was carefully watching the effect of the yen's rise on business confidence.

The markets believe a rate cut is possible after Friday's release of the central bank's latest survey of business confidence.

If not, the bank could wait for the basic outline of the government's forthcoming economic stimulation package, expected around September 20.

Exact details of the package will be the result of tough negotiations among the seven coalition members, though the government has already announced that plans to cut official red tape and costly business regulations will form the centrepiece.

Deregulation has broad coalition support in principle, though the left-wing Social Democrats, the largest coalition party, is anxious not to upset small retailers, an important socialist constituency.

Social Democrats are more seriously out of line with the rest of the coalition on possible income tax cuts, as favoured by Mr Hosokawa. Mr Ichiro Ozawa, the former LDP power-broker who exerts a strong behind-the-scenes influence on the coalition, argues that any income tax cuts must be compensated by rises in consumption taxes.

The Social Democrats oppose a rise in consumption taxes and are said to be among the toughest bargainers in a coalition which would lose its parliamentary majority without them.

Imelda Marcos follows military pall-bearers carrying the coffin of her late husband – in Laoag City yesterday *Associated Press*

MARCOS BODY RETURNS TO SPARSE CROWDS

By Jose Galang in Laoag City, Philippines

LEAN CROWDS showed up at the homecoming yesterday of the body of Mr Ferdinand Marcos, the former Philippine strongman who seven years ago fled to Hawaii after being ousted in a popular revolt against his regime.

The body was in a sealed metal casket that has remained unopened. It will be seen only as it is laid to rest this weekend in a glass case at the newly constructed mausoleum at the Marcos residence in Laoag City.

About 3,000 people were at the airport in Laoag City, the capital of Mr Marcos's home province of Ilocor Norte in the northern Philippines, when the chartered jet carrying his body landed. About 5,000 attended an hour-long mass at St William's Cathedral where the casket was brought from the airport. It was later placed in front of the provincial capital building.

There were no state honours. A group of 21 retired generals acted as pall-bearers. They executed a simultaneous salute in lieu of the official 21-gun salute. Mr Marcos's widow Imelda and his two daughters, Imee and Irene, led the welcoming party at the airport. His son Ferdinand Jr had fetched the body from Hawaii.

It was the first time since their 1986 escape from Manila that the Marcos family was together. After their flight, the Marcos children went their separate ways in other countries while the parents stayed in Hawaii. Even when Mr Marcos was dying some of the Marcos children avoided travelling to Hawaii for fear of being arrested in connection with criminal suits filed against the family in US courts.

Mr Marcos died in September 1989 of cardiac arrest following complications from kidney, lung and heart ailments. Mrs Marcos returned to the Philippines in November 1991 and was among the seven candidates in the May 1992 presidential election that was won by Mr Fidel Ramos, former army chief and defence secretary. Mrs Marcos finished fifth.

SDP poll could ruffle coalition

By Robert Thomson in Tokyo

JAPAN'S Social Democratic party faces a disruptive election for a new chairman that could destabilise the seven party-coalition government, in which it is the largest group.

The apparent decision of Mr Sadao Yamahana not to stand for re-election later this month comes after he has forced the party to adopt a new policy on South Korea by visiting that country recently.

Until now the SDP, formerly the Japan Socialist party, has maintained close ties to totalitarian North Korea. Mr Yamahana was the first SDP leader to visit Seoul, angering left-wing members of his party.

Mr Yamahana is a member of a moderate faction which has attempted to push the SDP to reform its policies over the past few years, and he has taken advantage of his time in the month-old government to make changes in spirit if not wording to past policies.

If Mr Yamahana is not a candidate, he will back another moderate representative in a party poll, scheduled for September 18, in the hope of continuing reforms intended to broaden the party's popularity.

Serving in the coalition government of Mr Morihiro Hosokawa has prompted the SDP to blunt its past opposition to the use of nuclear energy and even to suggest that it accepted a foreign policy little changed from that of the conservative Liberal Democratic party, which ruled for 38 years. However, the party's growing pragmatism raises the possibility that members loyal to traditional hard-line policies will split to form a new party – a move which could bring down the coalition government.

Yamahana: standing down

Mr Hosokawa said the dispute within the SDP was an internal matter that did not directly concern the government, though "we have to wait and see what happens". Other government officials said they were confident that the SDP would remain a coalition member, regardless of the leadership contest's outcome.

But the likely departure of Mr Yamahana, who has said he will resign in order to take responsibility for the party's poor showing in July's general election, raises doubts over whether he will continue to serve as the cabinet minister responsible for political reform.

HIV infects 1m women this year

By Clive Cookson, Science Editor

THE HIV virus will infect more than 1m women throughout the world during 1993. By the year 2000, 13m women will have been infected and 4m of them will have died of Aids, according to estimates yesterday by Dr Michael Merson, head of the World Health Organisation's global programme on Aids.

"A decade ago women and children seemed to be on the periphery of the Aids epidemic," Dr Merson said at an international conference in Edinburgh on HIV in children and mothers. "Today they are at the centre of our concern."

As more women become HIV-positive, the number of infections in their babies rises. WHO says on average a third of infants born to infected mothers are infected. To date 1m babies have been infected, of whom half developed Aids.

In industrialised countries, HIV transmission is still often through homosexual contact or drug abuse, but in developing countries heterosexual transmission has been predominant since the start of the Aids epidemic 10 years ago. Dr Merson said women becoming infected with HIV now outnumbered men by six to five in sub-Saharan Africa.

He suggested several courses of action to protect women, including "top priority" research to develop a safe "vaginal virucide" – a virus-killing chemical that would prevent infection during sex.

Tax move stuns Indian bourses

By R C Murthy in Bombay

INDIAN bourses yesterday fell sharply for a second day, in reaction to a freeze imposed by internal revenue authorities on shareholdings valued at more than Rs.1.5bn (£31m).

On the Bombay Stock Exchange, the country's largest, the index of 30 leading shares fell sharply by 87.67 points to 2,533.53 making a two-day decline of 130.53 points or 4.9 per cent. Investors stayed clear of making purchases to avoid being saddled with losses in a falling market.

The income tax authorities at the weekend conducted searches inquiring into 234 people in Bombay, 132 in Calcutta and an unspecified number in other centres on a tip-off they were trading on behalf of Mr Harshad Mehta, one of the central figures in the Rs50bn Bombay securities scandal.

Traders fear the stock markets will come to a standstill – recalling the events in May last year, when the custodian appointed by the government declared all the shares handled by Mr Mehta as "tainted".

The BSE has banned short sales and all sales will have to be against cash. A 15 per cent cash payment has been made obligatory on fresh purchases. The internal revenue authorities are expected to complete investigations by the weekend.

Zhu predicts 13% economic growth

CHINA'S economy is likely to grow at 13 per cent again this year despite measures to prevent overheating, according to Mr Zhu Rongji, vice-premier and central bank governor, Reuter reports from Nusa Dua, Indonesia.

Mr Zhu told a meeting of business executives in Bali by video-telephone link that the government believed it had been able to withstand and control changes in the macro-economy.

He said growth in 1993 gross national product was likely to average 13 per cent, compared with close to 14 per cent for the first six months of the year and 13 per cent in all of 1992.

According to some newspapers in Beijing, this year's growth target was 10 per cent.

Mr Zhu said macro-economic controls and regulatory measures introduced in June to provide an environment for sustained high growth appeared to be working.

The programme was designed to slow down a runaway economy that posted 25.1 per cent growth in industry and 61 per cent growth in fixed asset investment in the first half of the year.

"Early signs are that these measures are yielding positive results. We expect to see more good signs in the coming months," Mr Zhu said.

"In the first half of this year there was an excessive increase in the scale of investment. This is so because we are in a transition and some of the defects of the old system have not been eliminated, while some aspects of the new order are not yet fully implemented."

Taiwan's China negotiator quits

TAIWAN'S chief negotiator with China said yesterday he would resign after bitter disputes within the Taiwan government over policy towards Beijing, Reuter reports from Taipei.

"If I cannot make use of my ability under this environment, it will be a waste of my time and have a negative impact on improving relations between the two sides," said Mr Cheyne Chiu, secretary general of Taiwan's Straits Exchange Foundation.

Local media quoted Mr Chiu as saying that he would quit at a foundation board meeting in November. The foundation handles talks with China in the absence of formal diplomatic contact.

Mr Chiu, who became secretary general in March, handled intensive negotiations at a meeting between China and Taiwan in Singapore in April, the highest-level contact between the two old rivals since the end of the Chinese civil war in 1949.

He was known for a liberal attitude towards China, pledging to "tear down the psychological Berlin Wall" and suggesting Taiwan consider lifting its ban on official contact.

● Taiwan's Securities and Exchange Commission, seeking to slow a flood of investment into China, yesterday formally banned companies from using issues of stock and convertible bonds to fund mainland projects.

Rao and Li Peng ease border row

INDIA and China moved yesterday to end a 30-year border dispute, vowing to cut troops numbers on their frontier and to maintain peace in the region, Reuter reports from Beijing.

A joint statement hailed the pact as a landmark in relations. But differences remain over how many soldiers each should withdraw from the border area where they fought a war in 1962, Indian officials said.

The agreement, signed after two days of talks between Mr PV Narasimha Rao, the visiting Indian prime minister, and Mr Li Peng, Chinese premier, prepares the ground for a final settlement of the border issue, the officials said.

"The two countries have agreed to undertake a series of confidence-building measures, including the reduction of military forces deployed along the India-China border," a joint statement issued by the Indian embassy said.

"Pending a boundary settlement, India and China have agreed to respect and observe the line of actual control (LAC)." The line has separated the troops of the two nations since the brief 1962 war.

"This landmark agreement lays down the framework for maintaining peace and tranquility along the LAC," the joint statement said.

Indian opposition leaders have given a rare unanimous mandate to Mr Rao to resolve the dispute along the 4,000km (2,485 mile) border.

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the federal government, and that his review will be different.

The review, which promises \$108bn (£71.5bn) of savings over five years and a 12 per cent reduction in the size of the federal workforce, seeks to defuse the conflicts with Congress that have hampered implementation of previous recommendations by arguing that it would change not what government does, but how it does it.

It also claims to be different because it is based on the ideas of government employees themselves, not on outside nostrums.

The National Performance Review offers a list of specific recommendations aimed at cutting wasteful spending, streamlining bureaucracy, improving customer service, overhauling federal procurement rules and rebuilding the federal personnel code.

Suggestions include:

- Consolidate the Agriculture Department's 42 agencies into 30 and close one in 10 of its
- [illegible] Bureau of Investigation.
- Allow government agencies, including the Internal Revenue, to use private debt collectors and accept payments by credit card.
- Eliminate the 10,000-page Federal Personnel Manual by September next year and replace it with general principles which would allow managers to hire, fire and reward excellence.
- Lift the level below which agencies can make purchases without special authorisation from \$25,000 to \$100,000.
- Budget over two years instead of one.
- Reduce the ratio of managers to one for every 15 employees, instead of one for every seven employees.

But Washington sceptics say that even if the Gore report is different from President Richard Nixon's Ash Council or President Ronald Reagan's Grace Commission – and it is certainly better written than those were – it is likely to suffer the same fate as they did.

Gore (left) and President Bill Clinton: "Where it says the president should, the president will." Associated Press

Others believe, however, that public opinion, stoked by Mr Ross Perot's presidential campaign last year, is so eager for an attack on waste in government that Congress will be forced to take up Mr Gore's challenge.

Many of the recommendations can be implemented at least in part by presidential order, and President Bill Clinton promised yesterday that he would do his part.

"There are a lot of places in the report and where it says the president should, the president will," he said yesterday at a White House ceremony to unveil the report.

Other elements, however, would require legislation in Congress; some of them have been recommended many times before, and large political interests have prevented their implementation.

Even though Mr Gore avoids attacking some of the politically sensitive subsidy programmes that the Grace Commission included in its recommendations, a report that would cut 252,000 jobs is sure to run into opposition, at least from the civil service trade unions.

White House officials were quick yesterday to emphasise that some of these jobs are not even filled at the moment, and that most of the cuts could be achieved through attrition.

Many of Mr Gore's other suggestions will rub against Congress's insistance that it should have close oversight of the operations of the administration; he urges, for example, that Congress give agencies broader authority to spend the money allotted to them, instead of putting in line-by-line restrictions on their spending, and also asks Congress to

Democratic majority in the Senate, yesterday said he supported the proposed two-year budget cycle, the idea is a red rag to congressional bulls such as Senator Robert Byrd of West Virginia, the chairman of the appropriations committee which controls spending.

Mr Mitchell acknowledged that other reports had come and gone, but said that "doesn't mean we should stop trying".

"The reality is this is a very large enterprise, growing larger, and it has to be constantly reviewed," he said yesterday.

On the other side of the political aisle, Senator Robert Dole, the Republican leader, gave a cautious welcome to the Gore report, while complaining that his party had not been involved in its preparation.

"We'd like to take a look at it and see how much smoke and mirrors there are, how much real change there is. And if it's a good change, he'll have a lot of Republican support," Mr Dole said in a television interview.

Brazil plans to curb inflation

By Angus Foster in São Paulo and John Barham in Buenos Aires

BRAZIL is next week expected to introduce further measures aimed at curbing inflation, now running at an annualised rate of more than 2,000 per cent.

Mr Fernando Henrique Cardoso, the finance minister, is due to give a television address next Tuesday, just over three months after he took over the job, in which he is expected to give a comparatively upbeat assessment of Brazil's growth prospects for this year.

He may also confirm some structural changes such as the separation of accounts between the treasury and central bank, designed to make financial movements between the two institutions more transparent.

Mr Cardoso has repeatedly claimed he will not launch any economic "shock" plans before fiscal reforms are in place to deal with the country's structural economic problems.

However, some economists believe Mr Cardoso and his economic team are working on such a package.

Suspicions have been raised by the recent appointment of Mr Andre Lara Resende as principal foreign debt negotiator and Mr Persio Arida as president of Brazil's development bank. Both men were involved in the now discredited 1986 Cruzado plan, which involved a price freeze and the introduction of a new currency.

The presence of President Carlos Menem of Argentina and Mr Domingo Cavallo, his economy minister, at Brazil's annual independence celebrations yesterday has further fuelled the speculation.

Ahead of meeting Mr Cavallo, Mr Cardoso said Brazil would not follow Argentina and peg the currency to the dollar to curb inflation.

The Brazilian and Argentinian leaders were expected to discuss progress towards eliminating trade barriers within Mercosul, the regional grouping which links the two countries with Uruguay and Paraguay.

They will also discuss trade frictions caused by a rapid increase in Brazilian exports to Argentina. Argentina has accused Brazil of favouring its companies with covert subsidies and criticised it for failing to stabilise its economy. Mr Cavallo denies that the Argentinian peso is seriously overvalued.

Argentina has resorted to an array of mechanisms to slow the onslaught of Brazilian imports and Brazil has now threatened to retaliate. However, tension comes against a background of rapidly rising trade between the two.

Second crisis in Guatemala

By Edward Orlebar in Guatemala City

GUATEMALA has been plunged into its second political crisis in three months as a divided congress waits for a ruling from the constitutional court to determine whether a revolt against the congressional leadership is legal.

The crisis was precipitated on Sunday evening when a session of congress, called to implement a purge of members accused of corruption, descended into fistfights and bottle throwing, leading Mr José Lobo Dubon, the Christian Democrat president of congress, to declare the session suspended.

However, a group of 65 members of congress defied the suspension to elect a new congressional president and directorate after alleging that Mr Lobo had abandoned his post.

Mr Alfonso Cabrera, secretary general of the Christian Democrats, called the removal of Mr Lobo and the rest of the 12-member congressional directorate "a kind of coup d'état within congress".

On Monday evening Mr Lobo, who still considers himself president of congress, clashed with opponents as he headed for his office. One of his bodyguards allegedly struck a congressman with the butt of his pistol.

Now the congress, bitterly divided over the issue of corruption, finds itself with two presidents and two directorates. It was not clear which directorate would preside over the congressional session due to be held later yesterday, but it was expected to be unruly.

The move for a congressional purge followed a call last month by President Ramiro de Leon Carpio for the voluntary resignation of all 116 congressmen.

Mr de Leon, formerly a combative human rights ombudsman, was elected by congress on June 6 after a constitutional crisis triggered by a failed attempt by former President Jorge Serrano to seize authoritarian powers. Mr de Leon's election raised hopes that he would promote a clean-up of state institutions, which are generally perceived to be endemically corrupt.

However, Congress divided into two camps. On one side 75 congressmen are allied to the Instancia Nacional de Consenso, a coalition of political parties, private business, and popular organisations which forced a return to democratic government in June.

The Instancia has produced a list of 16 congressmen whom it considers to be most in need of purging. The list contains five Christian Democrats, including Mr Lobo, but does not include any members from the five parties in the Instancia.

Cavallo visits London for talks

By John Barham in Buenos Aires

MR DOMINGO CAVALLO, Argentina's economy minister and architect of one of the world's most surprising economic miracles, arrives in London this morning for a three-day visit.

Mr Cavallo, the first Argentine cabinet minister to make an official visit to Britain since the 1982 Falklands conflict, will meet Mr Kenneth Clarke, the chancellor of the exchequer, Mr Douglas Hurd, the foreign secretary, and Mr Eddie George, governor of the Bank of England.

The visit confirms the rapidly improving ties between the UK and Argentina since President Carlos Menem took office in 1989 and adopted pro-western foreign policies and free market economics. Mr

Cavallo: to give lecture

Hurd: improving ties

Cavallo became economy minister in 1991 and rapidly transformed Argentina into one of the world's fastest-growing economies. However, the unresolved dispute over the Falklands – which Argentina still claims – means that no date is likely to be set soon for a visit by Mr Menem.

As well as meeting UK government officials, Mr Cavallo will give a lecture at the London School of Economics and a speech at the Confederation of British Industry. He will also chair a seminar with potential investors at Baring Brothers, the merchant bank with a long, if turbulent, history of business with Argentina.

Britain has shown growing interest in Latin America as economic reforms across the continent create new trade and investment opportunities. British banks and companies, notably British Gas, have been active in Argentina's privatisation programme.

Mr Cavallo's arrival in London follows a flurry of visits by senior British ministers. Earlier this year Mr Hurd and Mr Michael Heseltine, trade and industry secretary, visited Buenos Aires. Mrs Gillian Shephard, agriculture minister, arrives in Argentina on Saturday for a brief official visit and Mr Guido di Tella, Argentina's foreign minister, will visit London in November.

Software and hard feelings

Louise Kehoe and Geof Wheelwright on rivals Microsoft and Novell

MICROSOFT, dubbed the "bully" of the computer software industry by some competitors, is crying foul. Under investigation for alleged anti-trust violations in the US and the EC, the company claims it is the victim of a smear campaign.

Competitors "are spreading lies about us", Mr Bill Gates, Microsoft chairman and chief executive, told industry analysts at the company's Redmond, Washington, headquarters recently.

Within the software industry he is unlikely to find much sympathy. Microsoft dominates the world market for personal computer software and is renowned for its aggressive marketing tactics. For years Microsoft has shrugged off as mere envy mounting complaints from competitors alleging unfair business practices.

But now, with the US Justice Department and EC competition authorities digging through its books, Microsoft is becoming increasingly sensitive to criticism from competitors, particularly Novell, the leading supplier of PC networking software, which it views as the instigator of its problems with anti-trust authorities.

"Novell is trying to make government agencies suspicious of the way we do business, trying to paint a negative picture of Microsoft," said Mr Bill Neukom, Microsoft's chief counsel.

Novell played an active role in supplying information to the US Federal Trade Commission during its three-year anti-trust investigation of Microsoft. It also promoted the transfer of the case to the US Justice Department when the FTC reached a deadlock over whether to take action; and it filed complaints against Microsoft with the EC competition authorities.

Now Novell has revealed details of a previously secret 1992 attempt by Microsoft to buy its tormentor during the FTC's anti-trust probe, which shows another dimension to the animosity between the two companies.

According to Novell, Mr Gates contacted Mr Ray Noorda, Novell chairman and chief executive, in July 1991, days after Novell had announced plans to acquire Digital Research, a small developer of personal computer operating systems, to discuss a merger. As an independent company, Digital Research presented no threat to Microsoft's domination of the PC operating system market, but as part of Novell it might have become a serious challenger to Microsoft's cash cow, MS-DOS, the most widely used PC operating system program.

According to Mr David Bradford, Novell's chief counsel, Mr Gates stipulated that the newly acquired Digital Research could not be part of any deal.

Taking Microsoft's approach at face value, Novell engaged in negotiations. And in what turned out to be a critical mistake, it put Digital Research on the back burner for the duration of the talks, suspending its plans to promote the company's DR-DOS system in competition with Microsoft's MS-DOS.

In late February 1992, Microsoft presented a written offer to Novell to acquire the company for more than \$12bn (£7.9bn). The following month, Microsoft met Novell's board to discuss the offer. A day later, Novell learned from press reports that Microsoft had announced its acquisition of another software company, Fox Software. Stunned, Novell called off the talks and aborted the deal, according to Mr Bradford.

Novell alleges that Microsoft was not negotiating in good faith and that its ulterior motive may have been to remove the threat of competition in the operating system market.

Microsoft offers a very different and equally plausible interpretation. At first, according to Microsoft, Mr Gates saw the potential for a "win-win" merger of the largest PC software company with the largest supplier of PC networking software. Customers would have benefited from improved compatibility between the companies' software products, which are frequently used together.

Digital Research had nothing to do with Microsoft's interest in merging with Novell, Mr Neukom insists. In fact it created a potential impediment to the deal.

With regard to the Fox Software acquisition, Mr Neukom says that Microsoft "had no intent to hide anything from Novell", but that the two deals were quite separate. Fox is a developer of data-base management software that is only tangentially related to Novell's networking products.

Was Microsoft negotiating in good faith? "Our letter of intent demonstrated a certain seriousness of purpose," Mr Neukom said. Whatever the intent, the effect of the protracted negotiations was to delay Novell's efforts to bring a competitive PC operating system, based on Digital Research technology, to market. Only after the talks ended did Novell begin its efforts to compete more aggressively with Microsoft, so far with little success.

Novell alleges that the delay, combined with Microsoft's monopolistic licensing of MS-DOS, has cost it dearly, estimating its damages at \$3bn.

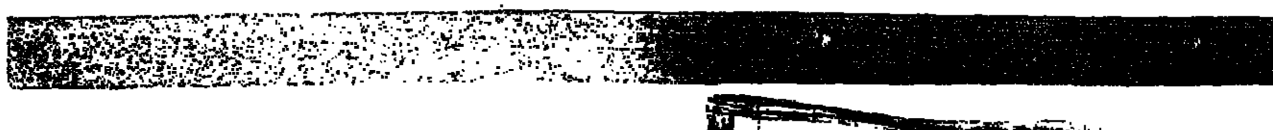
George Graham looks at Vice-President Al Gore's plans to overhaul US bureaucracy, and the obstacles ahead

Reinventing government is not easy

VICE-PRESIDENT Al Gore is not the first person to set about overhauling the US federal bureaucracy, and scepticism about the results of reports such as his National Performance Review is now deeply

12,000 field offices.

- Close all the regional offices of the Housing and Urban



ton promised yesterday that he would do his part.

"There are a lot of places in

the operations of the administration; he urges, for example, that Congress give agencies broader authority to spend the money allotted to them, instead of putting in line-by-line restrictions on their spending, and also asks Congress to

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Commission agrees to increase EC 'set-aside' compensation

Moves to pacify farm lobby

By David Gardner in Brussels

THE European Commission yesterday agreed to increase the amount of compensation for EC farmers for land they have to take out of production. The move was seen in Brussels as a further attempt to pacify the French farm lobby, and to make it easier for France's government to accept the international farm trade accords on which the future of the Uruguay Round now hangs.

Paris at the weekend renewed its threat to veto last year's Blair House deal on farm trade between the US and the EC, a linchpin of any future deal on world trade reform.

France only agreed in June to accept the *oilseeds clauses in Blair House after* additional compensation for "set-aside" had been agreed by EC farm ministers on May 27. Yesterday's move is part of the same decision.

Yesterday's Commission proposal would raise the compensation for cereals-producing land which is taken out of production from a rate of Ecu45 to Ecu57 ($65.55) per tonne, calculated on the previous yield of the land. This would add Ecu352m to the EC's farm budget of more than Ecu36bn, Commission officials said, but the extra cost would not start until 1995.

"Set-aside" is required under last year's reform of the Common Agricultural Policy, which slashes farm prices severely, compensating farmers for the cuts only if they leave around 15 per cent of their land fallow to rein in over-production – a decision which has caused outrage throughout the French countryside.

The French government's formal objection to the Uruguay Round parts of Blair House, recently delivered to the Commission, says the EC could only meet the Gatt commitments in it through further set aside. "For France, there would be no question of accepting an increase in set-aside, which has already reached intolerable levels," the document said.

The Commission also moved, in a package designed to make set-aside more flexible, to allow farmers to set aside more land than the statutory minimum, with full compensation.

In addition, to meet another French demand, Brussels would allow three-year, instead of six-year, rotation of the land laid fallow. But to ensure that it is not only marginal land that is taken out of production, a three-year regime would require 20 per cent, instead of 15 per cent set-aside.

Nobody in Brussels is under any illusions, however, that much bigger installments of money will be needed if there is any chance of France accepting a Uruguay Round farm settlement, and that this is likely to require a raising of the ceiling on farm spending.

Toyota UK parts for Japan

By Michiyo Nakamoto in Tokyo and John Griffiths in London

TOYOTA, Japan's largest car maker, yesterday began the first regular shipments to Japan of components from its £140m ($211m) UK engine plant in Deeside, North Wales.

The 3,000 sets of crankshafts and cylinder blocks shipped each month will be worth a relatively small £5m a year.

But they are of symbolic as well as practical importance to Toyota at a time of renewed tension over the level of Japanese imports to Europe's diminishing new car markets.

The components will be used in 1.8 litre engines built at Toyota's Shimoyama engine *plant and destined for Japan* and other big markets. They are thus seen as a formal stamp of approval of quality at the UK plant.

However, the company also said the substantially lower costs of manufacturing in the UK made it worth importing the components to Japan.

Although Toyota had always planned to export product to overseas markets from its engine plant in Wales, the recent sharp appreciation of the yen had speeded the process, the company said.

Toyota said the exports to Japan were part of its policy to optimise capacity at its plants around the world. If it wanted to make the extra engine components in Japan, it would have to invest in more capacity at Shimoyama.

Toyota has been importing engines and engine components into Japan from its US *manufacturing plant in* volumes of about 100,000 per month since 1992.

"Deeside has the capacity. The quality and the price are right, so this makes good business sense," said Mr Yukihisa Hirano, managing director of Toyota UK.

Production began at the Deeside engine plant a year ago before the start of car production at Toyota's £700m facility at Burnaston, Derbyshire, at the beginning of this year.

Car and engine output is scheduled to rise to 100,000 a year in 1994, and 200,000 a year in the late 1990s.

At this output level Toyota expects its UK operations to be purchasing £700m worth of components annually from European suppliers.

European anger over car deal

EUROPEAN car industry leaders yesterday attacked a new car trade deal between the European Community and Japan, saying it was unacceptable for Tokyo to boost its market share during the EC sector's worst decline since the second world war, Reuter reports from Brussels.

The board of directors of the European Automobile Manufacturers Association said the *deal meant Japan's EC market* share would rise to at least 12.5 per cent this year from 11.3 per cent last year.

In a statement issued after discussion at a board meeting in Frankfurt, the association said this increase ran counter to a 1991 EC-Japan agreement limiting *Japanese car exports* to the EC for the rest of the decade.

"At a time when European automobile manufacturers are announcing massive workforce reductions, an increase in Japanese market share is unacceptable," the statement said.

The 1991 arrangement was based on the principle of fair sharing of market downturns as well as increases and both sides had undertaken to uphold the spirit and the letter of this understanding, the association said.

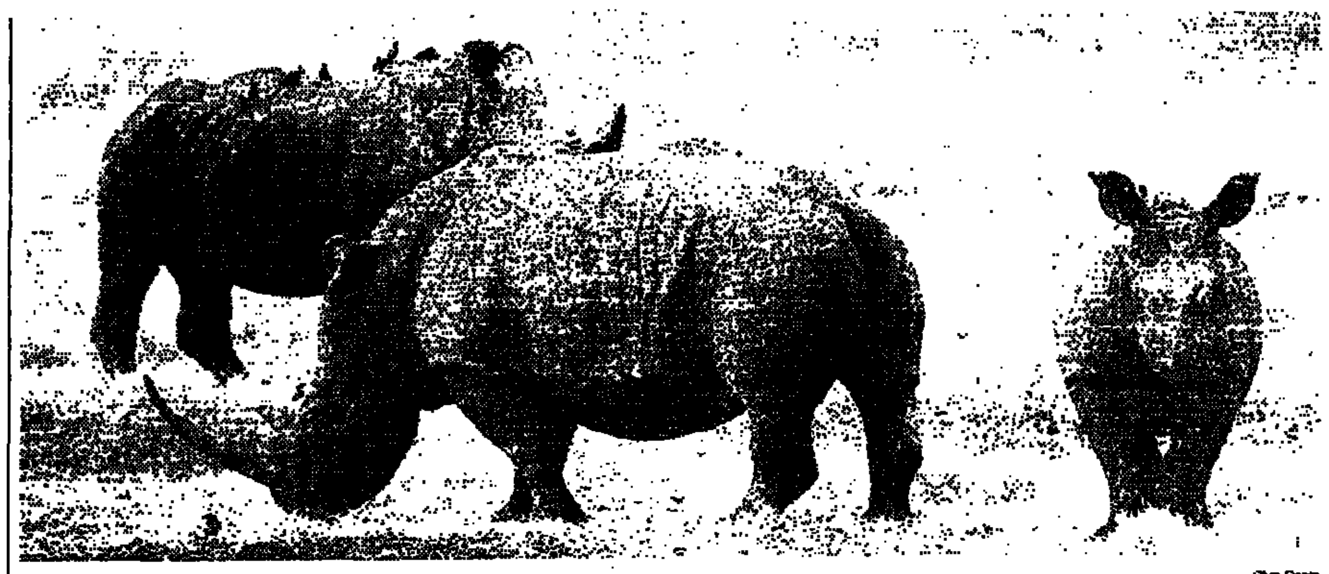
The latest agreement, announced in Tokyo last weekend after talks between the European Commission and Japan's Ministry of International Trade and Industry, would cut Japanese car sales in the EC by about 100,000 this year while the market would shrink by at least 2.4m.

Japan agreed to lower the *ceiling on its 1993 exports of* cars and light commercial vehicles to the Community to 980,000, compared with an earlier limit of 1.089m set in April.

The April accord was based on a forecast that EC demand would fall by 6.5 per cent in 1993; the new deal is based on a fall of 15.9 per cent.

The motor industry association yesterday welcomed both sides' efforts to adjust their market forecasts, but called on them to implement a transition period under the 1991 accord.

Its members accepted the goal of a fully open EC market, but said the current transition period was essential to complete European restructuring smoothly and to allow Japan "to open their still closed market" to European competitors.



Glyn Genin

White rhino in the Victoria Falls National Park, Zimbabwe. World stocks of white rhino are down to 5,200; the total number of rhino in Zimbabwe has fallen from 1,500 to only 300 this year.

US to impose sanctions on China and Taiwan over rhino horn trade

THE US is set to go ahead with sanctions against China and Taiwan for illegally trading in rhino horns, irrespective of what the 120-nation UN Convention on International Trade in Endangered Species (Cites) decides, David Gardner writes.

The Cites standing committee, meeting in Brussels, was expected to reach a decision last night or today, after considering evidence that the two countries had failed to stamp out the trade, banned since 1976.

But Mr Bruce Babbitt, US secretary of the interior, has said he will recommend that President Bill Clinton go ahead anyway with a ban on nearly all wildlife products moving from and into China and Taiwan, under a 1967 US law.

EC officials yesterday said sanctions could be counter-productive at a time when the Chinese and Taiwanese governments were trying to end the rhino horn trade.

Investigations by environmental organisations have turned up evidence that in China, Taiwan and Hong Kong, there is still a brisk trade in rhino horns, a traditional Chinese remedy for reducing fever.

According to the Environmental Investigation Agency, the price of Asian rhino horn has reached recent peaks of $60,000 a kilo, spurring poachers to prey on the sparse five surviving species. Zimbabwe last year registered 1,500 rhinos, according to Mr Dave Currey of EIA, but this year confirmed it had only 300.

According to the EIA, worldwide stocks of black rhino are down to 2,300; white rhino to 5,200; Sumatran rhino to 500-900; Javan rhino to only 80; and Indian rhino to 1,900.

ABB robots deal with GM Europe

By Andrew Baxter

ABB Robotics, part of Asea Brown Boveri, has won a *"breakthrough" order worth* nearly $20m to supply more than 200 industrial robots to General Motors Europe.

The deal is ABB Robotics' first European order from GM, which has previously bought most of its robots from its former joint venture company, GMFanuc Robotics.

Last year, however, GM sold its 50 per cent stake in *GMFanuc to its partner, Fanuc* of Japan, as part of its strategy to concentrate on its core business of vehicle production.

The robots are part of substantial investments by GM at its plants in Belgium, Germany, Sweden and the UK. At least 120 of the robots ABB is supplying will go to the Vauxhall Motors plant in Luton.

Most of the robots will be *delivered next year*, and will be mainly used for spot welding. ABB Robotics said the performance and cost efficiency of its product line were key factors in winning the order against fierce Japanese competition.

ABB Robotics' and the renamed Fanuc Robotics are the two biggest suppliers of robots to European industry. Over the past decade, the automotive industry has been the largest customer for industrial robots. It remains important to the robot industry even if growth opportunities are higher in less robotised industrial sectors such as the food industry.

Ansaldo wins Mideast water contracts

By Robert Graham in Rome

ANSALDO, the engineering subsidiary of the Italian state-controlled Finmeccanica group, has announced it has won four water treatment contracts in the Middle East totalling L325bn ($204m).

The awards further strengthen Ansaldo's presence in the Middle East, coming less than a week after it won a contract heading a consortium to build a L800bn power station and desalination plant in Abu Dhabi.

The largest of the new contracts is for a L200bn project in Kuwait to produce 600,000 cubic metres a day of drinking water from existing desalination plants. Another for L62bn involves the supply of 22 water treatment plants in Cairo for the Egyptian Ministry of Reconstruction capable of processing 100,000 cubic metres of water a day.

A third contract, worth L43bn, was awarded by the Saudi Agriculture and Water Ministry for the construction of a water storage and distribution system in the capital, Riyadh, for water coming from Gulf desalination plants. A further water treatment contract worth L20bn, with the Milan group Emit, was won in Damascus.

Embattled Tories focus attack on Lib Dems

By Alison Smith

THE Conservatives are launching an offensive against the Liberal Democrats whom they believe pose the main threat to traditional Tory strongholds in the south.

Mr John Major, prime minister, will lead the fightback with a visit to the west country today in an effort to rebuild morale after the battering the Tories have taken over the past year. He will hold the first in a series of meetings with party activists ahead of the Conservative party conference in October.

Mr Major is to visit other regions later this week, probably including the Midlands and Scotland. His itinerary is being kept secret for security reasons.

Switching targets from Labour to the Liberal Democrats, especially in the south-west, is a recognition by the Tories that they must win back disaffected voters in these areas if they are to win the next general election.

In July, the Liberals won a spectacular by-election victory in Christchurch in Dorset, while at the local elections in May they took control of Cornwall and Somerset county councils from the Tories, and became the largest single party in Devon and Dorset.

Another disastrous performance in the European elections next June could put Mr Major's leadership in jeopardy. The switch of focus from Labour, whom the Tories believe are mired in their own problems, to the Liberal Democrats is also designed to prevent that happening.

The Conservative campaign will seek to portray Mr Paddy Ashdown, Liberal Democrat leader, as an untrustworthy politician who tailors his arguments to his audiences, and so cannot be trusted to take a consistent line.

The campaign will also spell out elements of Liberal Democrat policy on subjects such as Europe and defence, which the government believes are least likely to appeal to traditional Tory supporters – even when they are disenchanted with their own party.

The initiative comes less than two weeks before the Liberal Democrats themselves meet at Torquay for their annual conference.

Sir Norman Fowler, Tory party chairman, spent two days in the south-west this week as part of his tour of local associations, talking to constituency chairmen and their deputies. Speaking in north Dorset yesterday, he said:"The Liberal party take a supportive view of a federal superstate, a federal Europe, the kind of Europe we stand against. That distinction is not recognised by the public, and we want to underline it."

The government is concerned about the prospect of a strong vote for Mr Ashdown's party in the European elections, which could lay the groundwork for a successful general election campaign.

Trust linked to Nadir bail man is investigated

By Jimmy Burns

A UK-based organisation linked to Mr Ramadan Guney, the Turkish-Cypriot businessman who stood bail for Mr Asil Nadir, is being investigated by the Charity Commission.

It emerged last night that the affairs of UK Turkish Islamic Trust, a registered charity with links to Muslim groups, have been brought to the attention of the commission after complaints about the way it was being administered. Mr Guney is registered with the commission as the chairman of the trust.

The commission last night refused to give details about its investigation. But an a commission official indicated the potential seriousness of the investigation. He said: "Following representations which suggest the administrative control of the charity was inadequate, we have made our own enquiries and established that there are causes for concern."

It is understood that the commission has requested that the trust put its affairs in order, and to strengthen the trustee body as a first step.

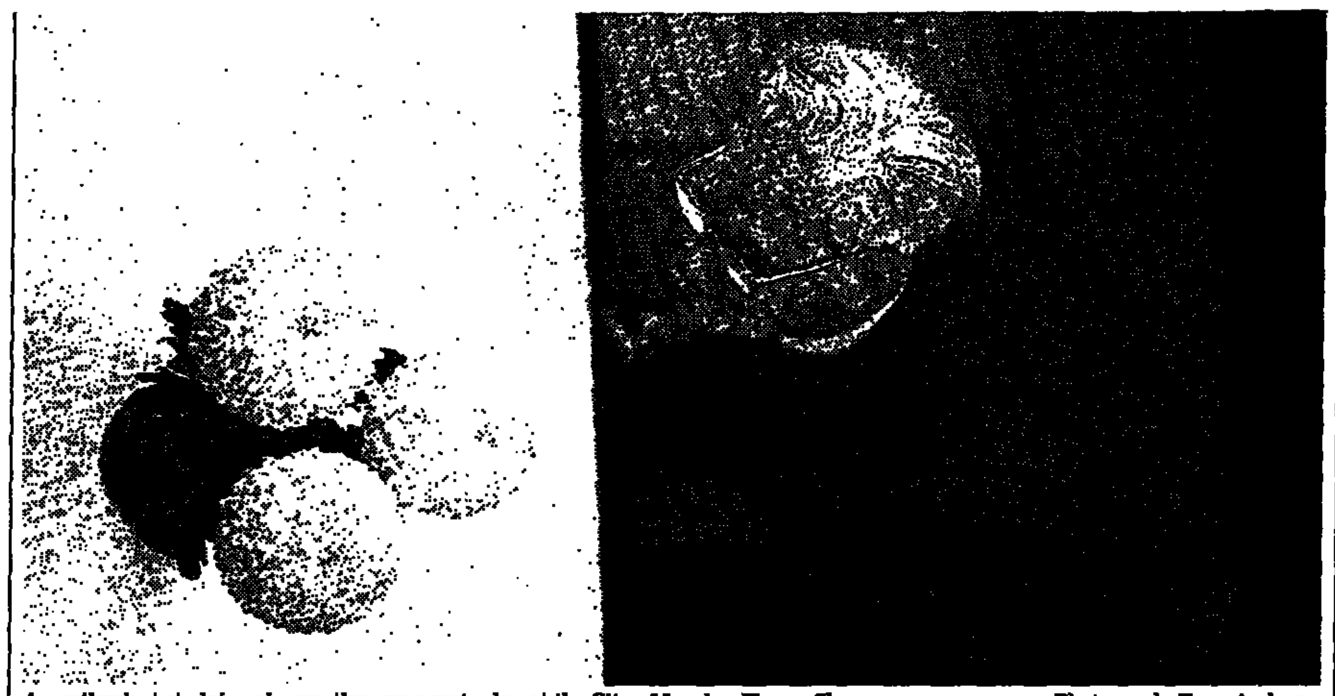
Mr Guney, a London Turkish-Cypriot whose business interests include running cemeteries, was ordered in July by an Old Bailey judge to surrender £650,000 he promised as part of a record £5.5m bail which Mr Nadir skipped in May when he fled to northern Cyprus rather than face charges of false accounting and theft. Mr Guney was given six months to pay and warned that he could face two years in jail if he defaulted.

Mr Justice Tucker, the judge in the case, said in court he was satisfied that Mr Guney had played no part in Mr Nadir's flight. The judge added, however, that Mr Guney had not taken all reasonable steps to ensure that Mr Nadir turned up to face trial.

Following the judgment, Mr Guney said that he had not been in contact with Mr Nadir, a long-time friend, and wanted nothing more to do with him.

In his appearance before Mr Justice Tucker, Mr Guney based his defence on the Serious Fraud Office's failure to extend his surety when the case was first transferred to the crown court. The judge ruled that none of the parties involved had ever considered that Mr Nadir had ever been surrendered into the custody of the court, so that his sureties were still responsible for his appearance at trial.

The scheduled date for the trials of Mr Nadir and an associate, Mr John Turner, is October 4. However sources close to the SFO indicated last night that the trial of Mr Turner might not begin then because of Mr Nadir's continuing refusal to return to the UK.



An enthusiast studying chrysanthemums yesterday at the City of London Flower Show — Photograph: Tony Andrews

Ansaldo returns to £110m rail deal

By Tim Burt

PLANS to build a rapid-transit system in the west Midlands took a step forward yesterday when Ansaldo Trasporti, the Italian rail equipment group, signed a joint-venture deal to develop and operate the line.

The deal removes some of the uncertainty over the £110m contract, which was thrown into confusion earlier this year when Taylor Woodrow, Ansaldo's original partner, abruptly withdrew from the venture.

At the time, Taylor Woodrow's decision was put down to an economy drive to minimise losses in its contracting business. The company's withdrawal forced Centro, the operating arm of the West Midlands Passenger Transport Authority, to seek a new developer for the 20km light railway between Birmingham and Wolverhampton.

Centro officials said yesterday they had reopened talks with Eurotransit, a consortium formed by UK construction group Tilbury Douglas and AEG of Germany, but had failed to reach agreement. The breakdown allowed Ansaldo to resubmit its bid.

But construction will not begin until Ansaldo finds a new civil engineering partner. The project also depends on winning significant government funding.

More than £100m in state aid or private-sector finance would be required to complete the project, according to Centro.

Mr Bob Tarr, Centro's general director, said efforts to secure the government funding "would now be redoubled with an aim for a start date for work during 1994-95".

Under the contract, Ansaldo and its partner will pay £10m towards the building costs and will receive a franchise to operate the transit system for 30 years without subsidy.

Mr Dick Worrall, chairman of the transport authority, said: "I now hope Ansaldo's discussions with the construction industry provide the final piece of the jigsaw."

● A joint bid for EC regional aid has been submitted to the government by the county councils in Staffordshire and Derbyshire in conjunction with the Peak Park Planning Board. The councils are seeking Objective 5b status to help modernise rural areas.

Britain in brief

N Sea fields 'mature but not finished'

The North Sea could produce more oil and gas in the next 20 years than it has produced in the past 20, Mr John Browne, BP managing director, said yesterday.

This would be achieved by further improvements in productivity involving more advanced technology and lower operating costs and would be helped by the UK government's new petroleum revenue tax.

Mr Browne was opening the biennial Offshore Europe conference in Aberdeen. He said the North Sea was mature after 20 years of high production levels but was not finished, though some large fields had declining output.

He held out the possibility that UK oil production would stay at its current level of 2.2m barrels per day well into the next century and even reach 2.8m bpd, and that the UK government would receive an income of between £2.5bn and £3.5bn a year for 20 years.

End to scars envisaged

Scientists will know within five years how to heal wounds without scars, it was predicted at the launch of an Anglo-American research initiative on scarring.

The University of Florida is working with University College, London, and Moorfields Eye Hospital of London to develop scar-prevention treatments for severe burns, disfiguring accidents and surgery.

The starting point for the collaboration is research they have already carried out, which found that a single touch of 5-fluororacil, an anti-cancer drug, greatly reduces the risk of scarring – which can cause permanent blindness – in patients undergoing surgery for glaucoma, a common eye disease.

RSI 'epidemic'

Britain is suffering an epidemic of repetitive strain injury (RSI) – various disorders of the hands, arms, shoulders and neck – which afflicts more than 100,000 people, said Mr Dick Pickering, president of the GMB general union. Launching a campaign on RSI, he said current compensation claims could cost employers £500m and the annual loss in working days was already half a million.

Pineapples take a snooze

Canadian researchers have devised a way of putting pineapples "to sleep" which will prevent the fruit rotting in transit.

Fruit company Geest is using modified atmospheric packaging, developed at the University of British Columbia, which preserves the fruit by extracting oxygen from the sealed plastic punnet in which it is stored. First consumers to taste the produce will be in Scotland, where Geest is carrying out trials.

Obituary: David Brown

Sir David Brown, industrialist, lover of fast cars and one of the great characters of 20th century British engineering, has died in Monaco aged 89.

As chairman of the David Brown Corporation, he forged a family-owned engineering empire that spanned gears, machine tools, castings and other products.

To the public, Sir David was a motor-racing fanatic whose company once owned Aston Martin, the luxury sports car maker. His David Brown Tractors company, founded in 1935, was the first to make an all-British tractor.

Sir David was once described as "at once energetic, forceful, ruthless, shy, withdrawn, gregarious, shrewd, suggestible".

As a businessman, his weakness, perhaps, was that he was never driven by any strong impulse to create profits. His involvement with Aston Martin from 1947 to 1972 encapsulates this approach – he once admitted that he never made any money from the carmaker but he had a good time.

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NEWS: UK

Mercury targets mobile phone market

By Andrew Adonis

THE CREATION *of a mass* consumer market for cellular phones came closer yesterday with the launch of the Mercury One-2-One network.

One-2-One, the third national cellular network, has centred its aggressive £10m promotion *campaign on free local calls* in the evenings and at weekends.

The network is available only in the London area, but it is planned to cover most of the UK by early 1996. One-2-One, a joint venture between Cable and Wireless and US West, is a high-capacity digital network.

Lord Young, Cable and Wireless chairman, said the "main target" of One-2-One was British Telecommunications. But with peak-rate tariffs and rental and handset prices several times higher than BT's, competition is likely to be felt most by existing operators Vodafone and Cellnet.

BT dismissed One-2-One as a replacement for fixed-line phones. Mr Ian Ash, BT marketing director, said: "Apart from a marketing ploy for cheap-rate local calls, every other call will cost markedly more than BT's."

Mr Terry Barwick, Vodafone's director of corporate affairs, said the company would not react with further price cuts. "Competition has got to be seen to work. If we reacted, we could kill them."

One-2-One has spent about £150m on the first phase of its network, and expects to be profitable within four to five years. Its focus on the domestic market is a new departure for the eight-year old cellular *industry*, most of whose 1.7m customers are business users.

Free off-peak local calls are available only after 7pm on weekdays at weekends. A £20 connection fee and £12.50 monthly subscription are payable (excluding VAT). Calls before 7pm cost 25p a minute, off-peak national calls 10p.

The business tariff has a higher monthly subscription (£20) and an 8p a minute charge for all off-peak calls, but a lower peak-rate charge of 16p a minute. Handsets for the new network sell for between £250 and £300.

Lord Young, once a senior Conservative minister, now chairman of Cable and Wireless: the "main target" of One-2-One is British Telecommunications Photograph: Trevor Humphries

The City views One-2-One as a serious challenger in the market. Mr Bryan Van Dussen, mobile analyst at Yankee Group, said: "It changes the ball game entirely. Until now Cellnet and Vodafone have stressed their national coverage, but the special tariff changes play to Mercury's strength as a local operator."

Five years ago, the UK had fewer than 200,000 subscribers. Analysts expect that to rise to more than 6m by 2000.

Court agrees to delay ruling on pensions equality

By Norma Cohen, Investments Correspondent

LOBBYING by the UK life assurance and pension industries has persuaded the European Court of Justice to delay by several months an important ruling on how employers are to provide equal pensions for men and women.

The Association of *British* Insurers and the National Association of Pension Funds were said to have argued that the advice given to the court on equalising pensions would result in inequality of terms offered to those with occupational pensions compared to those with private pensions.

Employers will have to provide men and women with the same annuity benefits, even though UK insurance companies which sell annuities offer different rates because women live longer. Those with personal pensions can still obtain gender-linked annuity rates.

A ruling in the Coloroll case, expected this month, will now be delayed until December or January. In the case, involving the pension schemes of the former home furnishings company *now in liquidation*, the court has been asked to decide which elements of a pension have to be made equal for men and women.

The court ruled in May 1990 that pensions are deferred pay and employers should not pay men and women different rates for the same work. In April, the advocate-general advised the court to rule that all aspects of pensions must be made equal, including benefits purchased with lump sums.

Industry demands end to age bias

By Diane Summers, Labour Staff

THE CONFEDERATION of British Industry, the employers' organisation, yesterday urged its member companies to tackle discrimination against older workers. The move came as a report on age discrimination throughout the European *Community disclosed that* companies' recruitment policies in most countries start to work against applicants from the age of 40.

Increasing numbers of workers over 50 are being "persuaded" to retire early throughout the EC, says the study by the European pressure group, Eurolink Age.

The CBI called for an end to discrimination against older workers as part of a campaign to improve work opportunities.

It warned companies that unless they "secure the best contribution from all the talent available, they will not compete effectively". There had been progress, it added, but there remained glaring examples of under-representation of some groups of workers.

The CBI said redundant executives aged more than 40 took twice as long to find jobs as those under 35.

It added in a statement on equal opportunities that more than 40 per cent of the labour force was female while only 8 per cent of managers were women. It said disabled people *were four times as likely to* be unemployed as those without disabilities, and that only 36 per cent of young people of Asian origin were in employment compared with 71 per cent of young white people.

Mr Howard Davies, CBI director-general, said the organisation would ask Mr Padraig Flynn, EC social and employment affairs commissioner, "to make equal opportunities a central part of the community's social policy".

The Eurolink Age report says older workers are subjected throughout the EC to early loss of employment, discrimination in recruitment, exclusion from training and enforced retirement.

Whiff of profit sweetens outlook for new Lloyd's investors

Richard Lapper finds optimism in the search for fresh capital for the insurance market

CORPORATE finance teams at more than half a dozen banks and securities houses are increasingly confident about their ability to attract new corporate capital to the Lloyd's of London insurance market, which is preparing to publish its rulebook for "incorporated Names" later this week.

Both British merchant banks which are aiming to float investment companies or *trusts on the stock exchange*, and US investment banks which generally favour private placements among US institutions, venture capitalists and the "super-rich", are well advanced with plans to raise several hundred million pounds for the Lloyd's market.

They say that the lure of attractive profits as insurance rates increase is proving attractive to institutional investors. "Our optimism is rising quite a lot; the mood in the markets has swung," said one British corporate finance executive.

Insiders at Lloyd's believe it might be able to attract between £500m and £1bn in fresh capital next year, offsetting a decline in capital provided by Names, whose assets support the market.

Lloyd's announced plans to seek corporate investment in April in a bid to shore up its *capital base following the loss* of over 10,000 Names and some £3bn in capacity in the past four years.

The new rulebook for corporate investors effectively amounts to a "prospectus" and will detail the terms on which new investors will be able to participate at Lloyd's. Accounting, regulatory and other rules are all spelled out in detail in the document, which will also provide a comprehensive picture of how the market works. Final approval is dependent on *existing Names who must vote* on the plans at an extraordinary general meeting in October. Their approval is far from guaranteed.

Two months ago, financiers worried about the scale of liabilities faced from US pollution and asbestosis claims. They now believe that plans to "ring fence" old claims by setting up a new reinsurance company will work.

Even where doubts persist, bankers are downplaying the dangers. One financier is telling potential clients that while the "ring fence" scheme may not be entirely successful, it will provide an extra layer of protection not enjoyed by investors in some UK and US insurance companies, equally exposed to US liabilities.

Concerns that allegations of mismanagement and regulatory failure would make it difficult to sell investments seem to have evaporated. "I sense Lloyd's has passed its absolute crisis point," said one banker.

Bankers are placing more emphasis on the prospects of profits as premium rates in the specialised commercial insurance and reinsurance markets rise to new highs. Rates for catastrophe reinsurance especially have set fresh records, prompting investors to pump more than $2bn into the Bermuda reinsurance market in the past three months.

Prices in the marine, aviation and other commercial markets in which Lloyd's specialises have also risen strongly. "The opportunities for profit are now very real in the London market as the rating structures in many of the major classes of business have been corrected and there is a commitment to manage capacity far more professionally than has been possible in the past," said Mr Michael Wade, one of the backers of Corporate Lloyd's Membership, a subsidiary of Sedgwick, the insurance broker, which aims to launch a quoted investment company later this year.

Whether investors will prove receptive to these arguments remains open to question. Market sentiment about Lloyd's has proved to be notoriously volatile. Although loss-making Names and their action groups have been quiet recently, they have been remarkably successful in affecting perceptions in the past. Lloyd's looks to have a good chance of raising much needed capital, but its leadership can take nothing for granted.

INTERESTED CORPORATE PLAYERS: Following publication of Lloyd's business plan in April, interest in corporate capital appeared to be greatest in the US, where investment banks looked at private placements of investment funds among institutional investors, venture capitalists and rich individuals.

J.P. Morgan and Salomon Brothers have both been working on schemes to raise corporate capital for nearly a year. Morgan has linked up with Marsh McLennan and Salomon with Johnson & Higgins, two large insurance brokers which place considerable amounts of business at Lloyd's. More recently UK merchant banks have also become involved. In the UK, partly because of the relatively small size of the venture capital market, banks have tried to develop investment trusts or companies which would be listed as quoted vehicles on the stock exchange, and marketed to both institutional and retail investors.

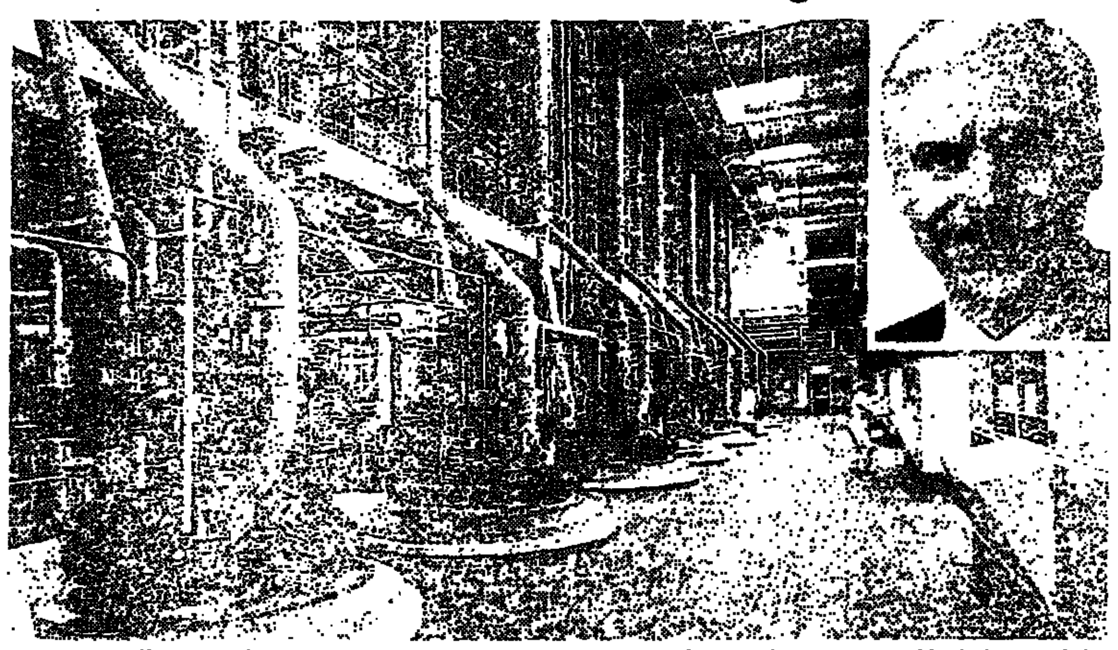
Barclays de Zoete Wedd is understood to have agreed to underwrite the launch of Corporate Lloyd's Membership, an investment company or trust sponsored by the Sedgwick Group, one of the UK's largest insurance brokers. Samuel Montagu – which together with James Capel, another Hong Kong and Shanghai Bank subsidiary, is backing a separate investment company of some £250m – has received most publicity. Montagu and Capel are supporting a scheme which would channel capital through at least eight managing agents at Lloyd's. Plans to float both CLM and the Montagu/Capel fund are well advanced and – assuming the satisfactory completion of the rulebook and approval of the plans by Names – should go ahead before the end of the year. *Most UK merchant banks are* involved.

Rea Brothers has linked with Union Bank of Switzerland to back a £35m scheme; SG Warburg, which earlier advised Lloyd's on its overall plan to attract corporate investors, is involved in a separate plan while Lazards and Kleinwort Benson are supporting initiatives by two other agents, Octavian and Sturge Holdings respectively. In other deals Phoenix Securities, a London-based "boutique" securities house, has linked with Anton Members' Agency and the New York securities house, Donaldson, Lufkin and Jenrette. London Wall, the Lloyd's agency, is *working on a scheme with Dunedin* Investment Fund Managers and Beeson Gregory, the stockbrokers. Goldman Sachs is also thought to be working on a scheme.

MANAGEMENT

Christopher Lorenz reports on a shake-up at Ciba that has caused tension among national subsidiaries

A little local difficulty



Reaction to Wolfgang Samo's (inset) experiment in the polymers division ranged from enthusiasm to a decided lack of conviction

Wolfgang Samo has pioneered a string of controversial changes at Ciba, the Swiss chemicals and drugs multinational. He is best-known in the company for three things: for the toughness with which he has turned round several of its problem businesses; for his early creation of small, transparent business units at a time when Ciba was still heavily centralised and organised in large, opaque lumps; and for transforming the motivation and performance of managers outside Ciba's Basle base by shifting the global headquarters of several businesses away from there well before so-called "transnational" structures became fashionable in the late 1980s.

But never before has Ciba's top management – which now includes Samo himself – repeatedly had to reassure the rest of the company that an experiment which he is conducting today will not necessarily be applied to the rest of the group tomorrow. The latest attempt to pacify managers' fears is being made this month, following a lakeside conclave of the top team in late August.

A tall and youthful 55-year-old bearded German who bears more than a passing resemblance to Europe's best-known corporate revolutionary, Percy Barnevik of ABB, Samo admits that, even in top management, some people think one of his latest actions is "sheer madness".

But he adds quickly that several other division bosses would like to follow suit.

Out in the various countries affected by his action, reactions to Samo's move also differ, ranging from enthusiasm in Spain, Italy and France to a decided lack of conviction in Britain.

The British say their reluctance has been misconstrued, and that it resulted from organisational difficulties arising from the relative size and complexity of the UK polymer operations, which are based outside Cambridge. But Samo claims that "it has nothing to do with the organisation – it is purely a matter of the individuals".

The action in question was taken last January in polymers, one of the most hard-pressed of four divisions which report to Samo. As part of a Europe-wide "re-engineering" project for that division which is even more far-reaching than most such exercises, the divisional heads for 10 west European countries were replaced by a leaner supranational structure.

Salespeople in each country are still organised nationally, but they now report to one of three regional sales managers located around Europe, who in turn report to a European sales manager in Basle.

The move has not only meant the early retirement of a batch of national division managers, but also a further weakening of the muscle of a second group of more senior executives. Ciba's "group company heads" – once-powerful country bosses who used to control the activities of its various divisions on their territory. This has naturally provoked resistance.

Until 1990 the "group company heads" were jointly responsible for local divisional operations. Since then, in common with many other companies in chemicals and other industries, this strong geographic influence has been reduced throughout Ciba to a "dotted line", giving clearer control to divisional bosses. In polymers, that dotted line has been removed entirely. Instead, "there's a big hole", says Samo.

That is what John Fraser, the UK group company head, dislikes. "I feel no problem at the loss of direct authority over divisional heads," he insists. "I've been doing that for eight years of my own volition," as part of a decentralisation policy he initiated in the UK before the rest of the group followed suit. But he does prize the ability to comment from time to time on UK aspects of divisional affairs, and for his input to be respected. In polymers "that has now been lost", he says starkly.

The second source of the fuss over the polymers move is the national heads of other divisions, who "fear the same fate as polymers", as Samo puts it. There are

'It's easy to plan projects in black and white, but when you go into detail you hit a minefield'

also some genuine fears that, although most of the division's customers are multinational companies which themselves operate across national borders, the removal of local management will impair Ciba's responsiveness to different demands in different markets.

Samo protests to the contrary: the need to make the barely profitable polymers division more customer-responsive by shortening its lines of communication was one of the sparks behind the re-engineering project, he says; the others were the division's in-built heavy overheads and stocks. To help achieve this, the existing network of 28 warehouses will be cut to six between November and the end of 1994, and order processing will done centrally in Basle.

This re-design of polymers' supply network, and the associated information system, was the concept with which the re-engineering project began, before it was enlarged with the help of consultants from CSC Index to encompass the changes in sales management. Together, annual savings of more than SFr30m (£14.2m) are expected, compared with the project's one-off cost of SFr20m-plus.

The fact that the change was so systems-driven, and that consultation, staff training and "culture change" initiatives were left very late, is one of the points on which the UK's John Fraser criticises the project.

John Beadsmoore, who was UK head of polymers until the post was abolished in January, agrees. He retains a sort of sponsorship role which has been negotiated especially with Basle, but his main job is now global head of the group's adhesives business, a responsibility which Samo transferred to him from Basle last year.

Samo says he wishes Beadsmoore were "more struck" by the latter than by the loss of polymers. "We still have a lot of convincing to do with our British colleagues," he says.

Diplomatically, Beadsmoore and Fraser claim repeatedly that their differences with Basle have been over the "how" of the re-engineering project, rather than over its basic direction, and that their constructive suggestions have been misconstrued as opposition. But it is self-evident that this is an understatement.

From his relatively neutral vantage point north of Basle on the River Rhine, Fraser's German counterpart Walter Fuellemann sees the British reaction as "quite understandable". He says: "It's easy to plan strategic projects in black and white, but when you go into detail you hit a minefield." Local management has no choice but to speak up, he says.

Fuellemann also sympathises with Beadsmoore's rueful observation that, for a company now so committed to decentralisation, the new polymers organisation is remarkably centralised on Basle.

Samo replies firmly that Basle just happens to be virtually in the centre of Europe, that it is only the division's salesforce and logistics management which have been centralised – much of the rest was already in Basle – and that in other respects his decentralisation drive continues.

In the end, Fuellemann sides with Samo on the need to centralise (or "regionalise", as he puts it) in polymers. "The only way to find out whether a European organisation really works, and can be a reasonable approach for other divisions too, is to try it," he says. If, after a year or two's experience, other divisions are allowed to follow suit, Samo forecasts that that the centralisation would not necessarily be on Basle: "it could just as well be Brussels, or elsewhere", he says.

He is equally clear that "it would be crazy" for pharmaceuticals, and several other Ciba divisions which need deeper sales management in each country, to copy the new polymers organisation. "Each division is different, and needs to be organised differently." If he has his way, Ciba will move even further away from having a standardised structure, and become a model of what business school academics call "the differentiated organisation" of the future.

Give yourself a pat on the head

Lucy Kellaway examines ways to overcome stress at work

All fired up: fighting stress

"I WANT you to relax. Rest both your feet firmly on the ground. Shake your hands like this, and place them in your lap. Now shut your eyes, gently close your lids and concentrate on doing that. Breathe in through your nose and then out through your mouth. Slowly, slowly, take your time."

It could have been a relaxation class for expectant mothers. In fact it was a seminar for stressed-out executives, given in London this week by a woman who fights stress on the front line in New York.

Silvea Thomas has taught the New York police force and fire service how to overcome the pressures of their work, and argues the same methods of coping apply to anyone in any job. Dealing with stress while making a violent drug bust in Harlem or fighting a towering inferno is no different from managing the pressures of nine-to-five office life in the suburbs.

"The way in which the body responds to stress is common to everyone," she says. "The issue is not the level of stress but how you deal with it."

The trick, she argues, is to recognise at the outset when we are getting into a stressful situation, and learn how to talk ourselves out of it. So whenever an underling is obstructive, or the boss shouts, the pulse begins to race and the adrenalin flows, we must stop for a minute. "Say to yourself: 'What's the rush? slow down', or count to 10, or do anything to give yourself time for a change of focus."

This she says sends the body a physical message which helps switch off its alarm signals. You should "give yourself a positive to take place of the negative".

This means that when challenged you should act as your own cheerleader, telling yourself that you can do it. In extremis you should not only urge yourself on, but should pat yourself on the head. She recommends that you give yourself a series of little strokes all over your head starting from the top.

If you are embarrassed to do this in the middle of a meeting you could go to the lavatory and do it there, she suggests. People should also take their lunch breaks, no matter how busy they are, and go for a brisk walk. They should make an effort to snatch moments during the day to clear their minds and relax.

Firefighters in New York – which may be the stress capital of the world – may have long since realised the importance of stroking their hair and inhaling deeply. But according to Thomas people in the UK are still not aware of the extent of the damage done by stress nor the need to address the problem.

On returning to the UK after an absence of nine years, she finds stress everywhere. People are frightened of losing their jobs, and those who still work are having to work harder. Meanwhile improvements in technology have meant that everybody is on call 24 hours a day. "You can be caught anywhere, everywhere," she says.

Figures from the UK Health and Safety Executive showing that £4m is lost a year through occupational stress sickness reveal just the tip of the iceberg, she says.

More realistic are official US figures which estimate that the overall effect of stress, taking into account the inefficiency it causes, will cut GNP by 10 per cent.

So if the person opposite you on the train starts giving their head little pats, look on them with respect: they may indirectly be increasing the country's GNP.

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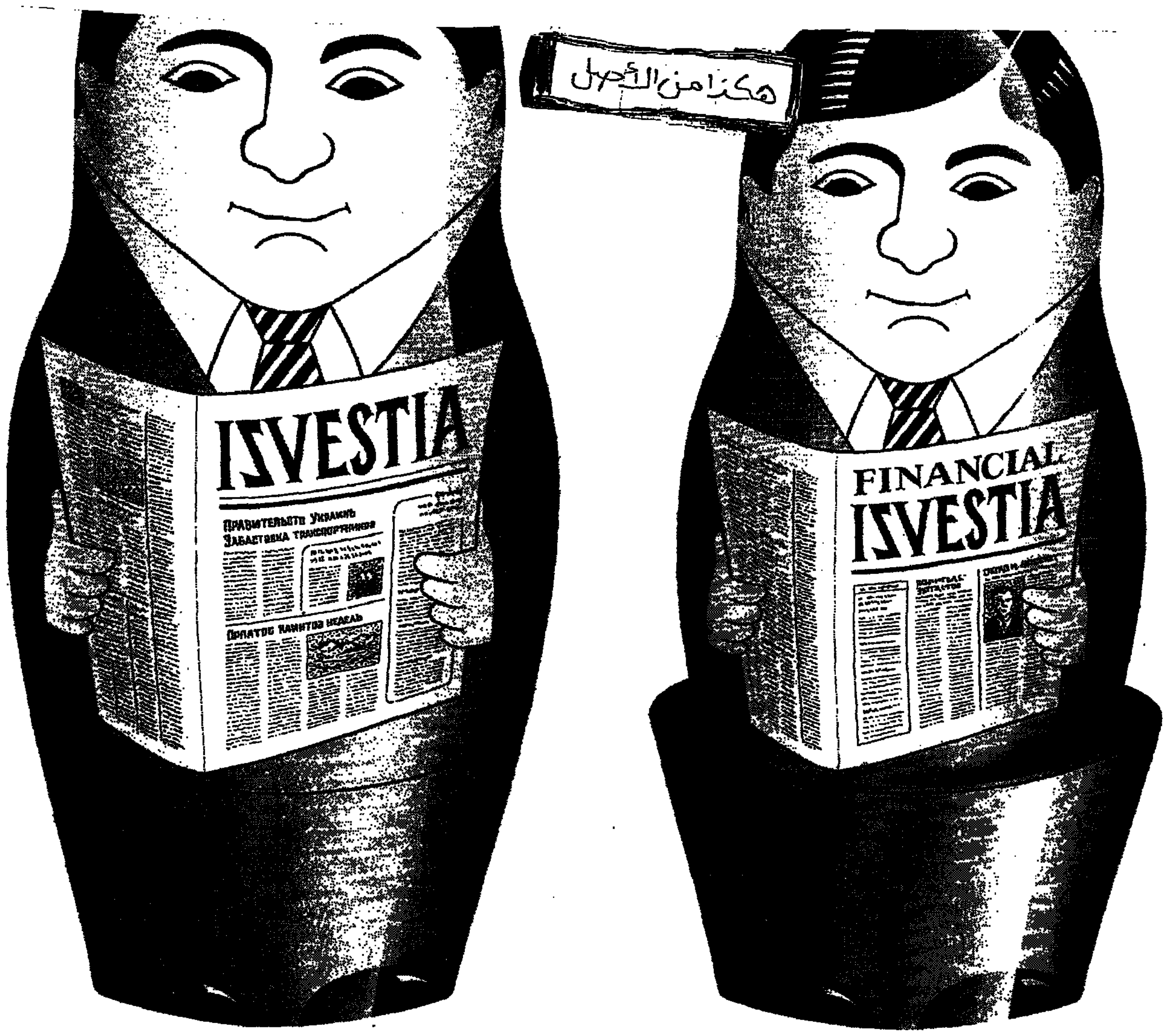
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The company is among several thousand beneficiaries at Holyhead, north-west Wales, where Manweb has been conducting a six-month experiment on promoting energy efficiency measures.

The results are expected to include a reduction in peak electricity demand next January of about a ninth. They will be examined closely by other regional electricity companies, which are beginning to look at similar initiatives, and by environmental campaigners.

In the UK, energy efficiency has never achieved the prominence it has in North America, where electricity companies are required by regulatory authorities to promote it.

But that is about to change. In a recent review of the 12 regional electricity companies' (Recs) supply businesses, Offer, the electricity regulator for England and Wales, removed incentives for Recs to make profits just by selling more electricity, rather than being more efficient.

From next April, the companies will be required to spend £1 per customer, per year on energy efficiency measures. Similar measures are expected in Offer's review of the Recs' more profitable distribution arms, scheduled for completion next year.

The Holyhead initiative was conceived after a Copenhagen energy conservation conference attended two years ago by Colin Leonard, Manweb's power marketing director. Leonard admits the company could see the public relations advantages in a conservation experiment. More important, the company felt the experiment would give it a lead in building its energy conservation arm.

With value added tax being introduced on domestic fuel sales next year, the energy conservation industry is set for growth. An attraction for Manweb is that profits will not be regulated by Offer.

In choosing a testbed area, Manweb was attracted to Holyhead because, as an island at the edge of the company's distribution area, it was electrically self-contained. In addition, the company faced a bill for £750,000 within two years on reinforcing the network on the island.

Saving energy: Gordon Chapman of the Aluminium Power Company is reaping the benefits of Manweb's advice

An island's experience

Regional electricity companies will shortly have to promote conservation, writes Michael Smith

The reduced energy consumption means that expenditure can be deferred. Manweb says it is not looking to make money out of the initiative; rather to learn from the experience. However, with the aid of an £80,000 EC grant and the reinforcement work savings, it hopes it can recoup its £500,000 investment in the Holyhead project.

Manweb's money has been spent on a mixture of gifts and incentives to the island's 3,500 households and 660 businesses. Domestic customers were offered two low-energy light bulbs for 70p each, less than a tenth of their usual price, and a free hot-water cylinder insulation and low-cost insulation and draught proofing. Commercial and industrial power users were each provided with a free energy audit and financial help towards implementing the recommendations.

At Alpoco, the bulk of the savings (£13,500 a year) have come from reconditioning three of the five compressors needed to convert molten aluminium into powder. The reconditioning cost £30,000 but with Manweb contributing £5,000, Alpoco expects to recover its expenditure within two years.

Manweb contributed £10,000 to the £12,000 cost of installing a power factor correction unit needed to regulate power flows. Alpoco's investment of £2,000 should be repaid within a year.

Requirements at the Anglesey Sea and Surf Centre were much simpler. A modern building, it already benefited from energy technology equipment. "Our problem was that electrical surges were causing lights to pop," says Nigel Denis, manager.

Manweb's solution was the installation of 82 low-energy compact fluorescent lamps at a cost of £4 each. The energy saving alone is about £250 to £300 a year, roughly equivalent to the cost of installation.

Simple solutions have also been the hallmark of Manweb's approach in the domestic market, as pensioners Emrys and Mair Owen have discovered at their one-bedroom bungalow. The installation of two compact bulbs, four-inch loft insulation and draught proofing has cut the Owens' monthly electricity bill from £36 to £28 a month.

But if Manweb's customers have benefited from the experiment, what has the company gained, other than deferral of £750,000 of expenditure? "We have had almost every known energy saving measure known to mankind on the island," says Leonard. "We aim to find out what works and doesn't work and what people will resist."

The knowledge will be provided by a comprehensive survey of Holyhead inhabitants over the coming months. Depending on the results, Manweb will decide whether to market products more aggressively in other areas.

Some lessons are already apparent. According to Benstead, response to the project was considerably greater among the 3,500 householders, most of whom have adopted at least some energy-saving measures, than it was among businesses.

"We had to drag businesses to the talks we gave for them on energy conservation," he says. "We found that very few were prepared to undertake any work which did not pay for itself within a year or so."

This has been a factor in prompting Manweb to consider schemes in other areas where it will provide capital costs for energy-saving devices in return for a proportion of the savings in future years. "Many customers will not invest in energy savings because they want to direct scarce capital at core businesses," says Leonard.

"Some organisations, including hospitals, have no money but would benefit enormously, for example, from new lighting systems. Like other electricity companies, we have low gearing and can afford to help."

T[illegible] of the European countryside. To others, they are a welcome splash of bright colour.

Throughout northern Europe and across parts of North America, glaring yellow fields of rapeseed have become a common crop for the foodstuffs industry.

Increasingly though, the plant is making inroads into industry – encouraged by EC subsidies – as the base oil for lubricants which do not pollute the ground or air.

As industrialised countries introduce stricter environmental laws and guidelines, the use of non-mineral oil-based lubricants is gaining ground. Last year, Austria became the first country to put a legal ban on lubricants containing mineral oil, though this was only for use with chain saws.

Other countries, notably Germany and Switzerland, are becoming more conscious of the damage lubricants can do to the environment, especially near rivers or streams. Thus, reckons Theo Mang, technology director at Fuchs Petrolub of Germany, use of environmentally friendly lubricants could account for between 10 and 15 per cent of the German market by the end of the century. At present, they make up only around 1.5 per cent of the market, which totals 1.2m tonnes a year; the west European market is more than 5m.

Products based on mineral oil are poorly biodegradable, only about a third of their content being absorbed into the environment over the accepted 21-day test period. Lubricants based on plant oils and their derivatives break down almost entirely.

"Up to 40 per cent of the volume of lubricants goes into the environment after use," says Mang. Most of this is deliberate. The dispersal is part of the process in which the oils are used, as with so-called total loss lubrication in which equipment is fed with oil to keep bearings running smoothly.

[illegible] switch to non-mineral oil products for love of the environment. Such products are more expensive. Also, they are not usually subject to a specific ban, the Austrian law being an exception.

"Concern for the environment is not going to be enough," believes Mang. "We have to find other arguments."

Fuchs, a world leader in the development of plant oil-based products, stresses instead the costs that can be incurred if lubricants accidentally pollute environmentally sensitive areas.

In Germany, one litre of spilled hydraulic oil can spoil one cubic metre of soil. Cleaning this up

Filling up with rapeseed oil

costs around DM1,500 (£600).

Storage can also be cheaper for lubricants made with rapeseed, oils such as sunflower oil, or from esters (organic compounds) derived from them, since no special precautions are needed to prevent these entering the water table.

At the simplest level, as with chain saw oil, rapeseed-based lubricants can cost up to 30 per cent more than regular lubricants. But beyond this, the costs soar. For more complex hydraulic lubricants, the price can be double that for products based on mineral oil.

In very specialised cases, this may not matter. Some aviation oils are based on esters, not because of their environmental properties but for technical

[illegible] however, the price difference is important. Mang says companies are gradually more willing to consider plant oil-based products, "but price is a limiting factor".

An important stimulus to their wider use is the attitude of the authorities. Most German forests are state-owned and their administrators have laid down that biodegradable oils must be used for mechanical work there. Public authorities are also taking a tougher line on types of oils used on construction sites for their new buildings, and the Bundesbahn (federal railways) is testing plant-based oils for greasing its track.

As this awareness spreads throughout industry in Germany and elsewhere, Mang sees a growing market for non-polluting lubricants. "I'm convinced it's only a question of time before it develops in other countries like France and the UK." He also sees prospects in the US and Canada, especially for wood-processing machinery and possibly later in South America.

Clearly, official pressures will have a strong influence on the speed and extent to which plant oil-based products made by Fuchs and other companies are taken up. In Germany, the country's Blue Angel label for ecologically sound products – awarded by a panel of government, consumer, industry and environmental representatives – has been applied to chain saw and total loss lubricants and Mang expects it to be extended to hydraulic oils.

At present, around 70 per cent of Fuchs' non-polluting lubricants are rapeseed-based, the rest being made from synthetic esters derived from rapeseed or other natural fatty acids. But the more demands that are put on the lubricants, the more reliance is likely to be placed on esters.

If price were no object, around 90 per cent of lubricants could be made with plant oils or esters, reckons Mang. But even in his wildest dreams he does not see this happening, especially with recession causing companies to look hard at costs.

PEOPLE

Italian with designs for Dawson

Dawson International, the Edinburgh-based textile company, has appointed the merchant banker Arnoldo di Giorgio to the newly created post of director of corporate strategy. He will be responsible for identifying and helping secure acquisition opportunities.

Di Giorgio, 34, was until recently director of investment banking with IMI Capital Markets UK, an offshoot of IMI, the Italian state-owned investment bank. He has also worked for Schroders and the Industrial Bank of Japan, both in the US and Europe.

Born of Italian parents in the US but educated in Italy, he says he came into contact with Dawson International while acting for companies which Dawson was attempting to take over.

Sir Ronald Miller, chairman of Dawson, says it is hiring di Giorgio because of his international experience of the textile industry. "This new appointment brings additional resources to help realise our full potential and marks the strengthening of our resolve to do so," he said. Di Giorgio will join Dawson on November 1 and will be based in London.

Dawson is divided between Dawson Premier Brands in the UK, which is predominantly in knitwear, and Dawson Consumer Products in the US, whose products include thermal underwear. It made pretax profits of £32m on turnover of £431m in 1992/93, making it a medium-sized player among other textile groups.

"Dawson has reached a critical level of profits and sales," says di Giorgio. "It can either go up or down – it can't stay where it is. I would like to see global approach."

Comings and goings at Dwyer

Dwyer, a property investment and trading group, yesterday announced a number of changes to its board including the appointment of Graham Kennedy, a director and consultant at James Capel, as its non-executive chairman.

Three new directors have been appointed to the board, to replace three who are stepping down.

The latest changes mean that only one director, Anthony Kirwan, was on the board before last November when Desmond Bloom, chairman and chief executive, resigned to cut the company's overheads.

The outgoing directors are Martin Silverman, formerly deputy chairman and finance director, Michael Dwyer and Martin Phillips.

The new directors are Graham Kennedy, 56, a former head of corporate broking at James Capel, David Dugdale, 50, a former joint chief executive of James Capel and William Bolt, 61, a retired partner of Chesterton, chartered surveyors.

Joey Esfandi, chief executive, says the board reorganisation had been agreed amicably. He says the board changes were appropriate given the new direction that the company was taking following its change of management last year.

"The alteration in the board structure forms part of the changes which are being implemented at the company," he says. "I believe we have an excellent team at Dwyer, combining both senior City and property expertise."

Non-executive directors

The merchant bank Lazard Brothers, which is 50 per cent-owned by Pearson, publisher of the Financial Times, has appointed another non-executive director, Michael Orr, thus increasing the number of non-executives on the board to eleven.

The chairman of Molins, manufacturer of specialist machinery for the tobacco and packaging industries, Orr, 56, is a very active City figure, having already notched up non-executive positions at W.H. Smith, Granada Group, Sketchley, Govett's Strategic Investment Trust, the Throgmorton Trust, and the Staffordshire-based brewers Marston Thompson and Evershed.

Is Lazard's chairman, David Verey, confident that Orr (right) will be able to squeeze some extra time into an already busy schedule?

"That is his [Orr's] agony and to some extent mine too," says Verey. "But he is very

conscientious and we reckon on him spending about a day a week with us," he adds.

Verey alighted on Orr "because he presents an unusual mix for a merchant bank; he is someone who understands merchant banking but is also plugged into the industrial scene".

Having spent time with Grand Metropolitan – as finance director – and with Merrill Lynch, Orr is "energetic, active, intelligent and well regarded, an unusual combination," feels Verey.

■ John Haggas has resigned from SKIPTON BUILDING SOCIETY.

■ Stuart Macdonald, former chief executive, at SCOTTISH HERITABLE TRUST.

■ John Webster, formerly of Sun Life Asset Management, and George Dennis, a founder member, as chairman of The HOUSING FINANCE CORPORATION and its subsidiaries T.H.F.C. (Indexed) and T.H.F.C. (First Variable) on the retirement of Norman Ireland. Sir James Spooner has also retired.

■ John Morton has resigned from ABTRUST NEW EUROPEAN INVESTMENT TRUST.

■ Donald Waters, deputy chairman of GRAMPIAN Television, as chairman of its subsidiary Glenburnie Properties, and Brian Hay, Glenburnie's company secretary and Grampian's chief accountant, a director of Glenburnie.

■ David Hewitt, a former md of Thorn EMI Ferguson and chairman of Comet, at COLORVISION.

Likierman to advise Treasury on accountancy

Andrew Likierman has been appointed as chief accountancy adviser to the Treasury and head of the government accountancy service.

Likierman, 49, professor of accounting and financial control at the London Business School, will be seconded initially for three years, taking up his post on December 1. His predecessor, Sir Alan Hardcastle, retires at the end of this month.

The job, which was advertised at £90,000-£120,000 a year, involves advising the government on accounting policy, liaising with professional bodies, overseeing financial management initiatives and covers responsibility for co-ordinating accountants employed by the Civil Service.

The appointment comes at a time when there is considerable change in accounting and auditing standards, regulation of auditors, restructuring of accounting in the public sector and contracting out of services to private enterprise.

Likierman is a member of the Cadbury committee on the financial aspects of corporate governance and of the Financial Reporting Council. He was president of the Chartered Institute of Management Accountants in 1991-92.

His research has emphasised the link between economics, accounting and financial management in public expenditure. He has examined performance measurement, spoken in favour of cautious moves towards private-sector style accounting within the public sector and on the need to raise the profile and influence of accountants within government.

After graduating in PPE from Balliol College, Oxford, Likierman trained as a management accountant with Tootal in Manchester.

He served as a member of the Cabinet Office Central Policy Review Staff, was adviser to several House of Commons select committees, a council member of two Next Steps agencies, and a member of the Audit Commission. He has served on several government inquiries including one on auditors' liability.

Gordon Chapman was suspicious when Manweb, his local electricity distributor, offered help in reducing the power requirements of the aluminium factory he manages. Working in a highly competitive industry he found it hard to comprehend why any company should seek to cut its sales volumes.

However, Chapman and his factory, owned by the Aluminium

Rapeseed popularity grows among 'greens'

Lubricants made from plant oils are gaining ground,

Television / Christopher Dunkley

You have the right to speak British

OVER dinner with his father a four year old boy asks "Daddy, do *you* know what the police say when they arrest you?" and the man, who has spent a considerable part of his adult life watching crime series on television, replies "They *usually* say 'You're nicked'". But the child insists that that is not right: "They say 'You have the right to remain silent'" and he adds a number of other clauses, mainly about the right to consult a lawyer.

What the boy is quoting is not the standard British caution, but its American counterpart (known as the Miranda rules). Serve on a British jury these days and you are likely to find that your fellow jurors' ideas about the law consist of one part folk myth rooted in English common law, and nine parts US legal procedure picked up from the small screen.

This rather than, or as well as, the ubiquity of Diet Coke and Mickey Mouse is presumably what French intellectuals mean when they growl about "American cultural imperialism". Neither the child's parroting nor the jurors' misunderstanding is surprising when you look at the quantity of US drama on British television screens. At the weekend television's autumn season began to crank up, thank goodness, and one of its first offerings was a 90-minute drama in a new batch of "Screen One" on BBC1 called *Wide Eyed And Legless*.

It would be difficult to imagine anything more English. Julie Walters played Diana Longden, a woman paralysed by a mysterious illness which necessitates steel cages on both hands, obliging her husband Deric (Jim Broadbent) to dress her and wheel her to and from countless hospital consultations, showing up the medical profession's ignorance and impotence without any effect upon their arrogance. Though driven repeatedly to the brink of suicide, Diana maintains a jaunty front for the sake of Deric and their children, and Deric, as their son remarks, worships his wife.

Human drama from both sides of the Atlantic: Robert Duvall and Diane Lane (above) in Lonesome Dove and Julie Walters and Jim Broadbent in Wide-Eyed and Legless (right)

The spirit and attitude of this drama bring to mind the Ealing comedies; it is heroic on a domestic scale. It is also chirpy, melancholy, sentimental, eccentric, and gritty. Above all, thanks to Jack Rosenthal's script (from Deric Longden's two autobiographical books, *Diana's Story* and *Lost For Words*) it is funny. Deric's relationships with the loyal women at his decrepit lingerie factory are endearing and funny. Deric's mother, played by Thora Hird as the world champion of the non sequitur, is funny. Asked "Are you Deric's mother or Diana's?" she replies "Possibly", and upon being told "That's not Lawrence it's Kenneth" she says "Well I knew it was someone of Arabia".

Eventually Deric meets and fancies a blind novelist named Aileen Armitage (another good performance, from Sian Thomas: this one will win awards). Diana wills them to one another and then drowns herself in the bath. This drama brought to mind other British television productions from years ago: *On Giant's Shoulders* about thalidomide boy Terry Wiles, for instance, and Trevor Griffith's work *Through The Night*, which had much to say about the superciliousness of doctors. They too were on a small scale, yet they too were powerful. All three, in a manner typical of the best of British television drama, dealt with worlds which we either inhabit or could find ourselves inhabiting.

There are many US television dramas of which the same cannot be said, even in relation to American viewers, for instance *Lonesome Dove*, a six-hour Western, shown last week by BBC1. In line with modern cinema tradition, at least since *Heaven's Gate*, it looks vividly authentic: sand, dust and bright light; primitive conditions, baggy and ill fitting clothes, dirty people and ramshackle buildings. It is one of those rare cowboy films full of cows (like *Red River*) and, as with *Rawhide*, the cattle drive is, at least ostensibly, the locus of the drama. In spite of that it feels diffuse and unfocused, more like a soap opera than a mini-series, in the sense that there are countless sub-plots yet no central story. Watch long enough and (again, as with soap opera) this ceases to matter since the characters themselves become so familiar and engrossing that they serve as a substitute for plot.

It will be said of *Lonesome Dove*, as it has always been said of Westerns, that although set in the 19th century it is really telling us about our own age, and for Americans there is probably some truth in that: the casual use of guns, the cheapness of life, the acceptance of vigilante vengeance do, by all accounts, apply as much or more today as in the days of Wyatt Earp. But it is to US society that they apply, not (yet, anyway) to ours, even if Americans do make their television programmes in our language. Happily this is not a world that we live in. Of course that does not mean that British viewers cannot be entertained by *Lonesome Dove*; the BARB figures may well tell us that more viewers watched it than watched *Wide Eyed And Legless*.

Perhaps the same applies to another US mini-series, *Cruel Doubt*, shown on ITV last week, though I doubt it and hope not. This was an example of what seems to be emerging as the dominant genre within the world of American mini-series: weird and horrible crimes committed in suburbia, somewhere behind those big unfenced lawns running down to pavements where winsome "kids" do wheelies on thousands of dollars worth of advanced carbon fibre technology.

As so often with these series, this one was based upon a real case. A teenage college boy who is a heavy user of drugs and an obsessive player of dungeons and dragons, draws his friends a diagram of his family's house so that they can murder his parents and he can inherit their money. No doubt we ought to be aware of such crimes; there is a tendency for most things American to cross the Atlantic eventually, but journalism would seem the best means of conveying such information. It is hard to see how anyone except the mentally disturbed or a particularly morose and spiteful teenager could possibly find *Cruel Doubt* entertaining.

For some reason BBC2 has chosen to describe its mini-series, *Love And Reason* as a "satire" about "the rough and tumble of politics", although there was nothing in the opening episode that looked remotely satirical.

So far it has been a story about factional bickering within the Labour party in the 1980s and the question of whether to modernise in line with Kinnock's policies or stick to Keir Hardie style flat-cap socialism, even if the caps are being worn by women. The trouble is that we have seen this sort of material handled so much better in *GBH* and, so far as inner-city corruption among planners and councillors is concerned, *Muck And Brass*. If the human story of sexy Lou Larson becomes more dominant the drama may become more compelling, but sticking with Labour's internal wrangling would seem like death. Labour's tribulations in the 1980s appear more dated than Lloyd George's selling of honours. So although *Love And Reason* portrays a world we have lived in, it feels utterly old fashioned and remote.

It should surely not be asking too much for British television to offer us, in addition to an avalanche of American material and all those steam train romances, some drama that engages us in the world where we now live. *Wide Eyed and Legless* was a good, indeed excellent, start, but much more will be needed if this autumn season is to be a memorable one.

Jazz

Happy night at the club

CEDAR Walton's seasonal quartet is the kind of band jazz clubs are made for. The sound of a rusty toned tenor relaxed against easy swinging piano and ice bucket accompaniment while the heads around dip to the pulse of a drummer happy in his work is enough to make you want to give up the concert hall for good. So comfortable is the pianist at Ronnie Scott's club that the first set featured "Ronnie's Decision", a bobby ode to the wisecracking Frith Street proprietor.

Yet though he is an inveterate tourer, whose quartets have usually featured a top shelf saxophonist (young Ralph Moore in this case), Walton is fixed in most people's minds as an accompanist whose prints are to be fond on many of the great bebop sessions, notably from Blue Note.

He spent the golden years of hard-bop freelancing as well as working for a spell with Art Blakey's Jazz Messengers and has led his own bands since the early 1970s. Ever a stimulating and bright accompanist he has also contributed to the book of standards with original numbers such as "Mosaic" and "Bolivia".

For this week at Ronnie's, Walton is reunited with the conversational time keeping of drummer Billy Higgins and bass player David Williams, on/off partners since the mid-1960s: the addition of talented young bop stylist Moore on tenor keeps the Walton quartet tradition alive

As a leader, Walton mixes the understated persistence which kept him in demand as accompanist with a sparkling but spare solo technique to give Moore space to work freely and sometimes precisely in the mix of standards and originals.

Walton addresses the keyboard as if sitting down to a particularly intricate jigsaw puzzle, picking chords experimentally before embarking on a long blue line against the grain of the tenor's muted wailing.

Higgins, emitting a self-absorbed and gravelly gurgle from the throat, roams across the cymbals, the bass drum rolling low and hard. Modest and economical in delivery. "Bluest Blues" and "My Ideal" had Walton sitting out entirely between solos for Williams' fret tramelling excursions on the string bass.

Smokey rather smoking, this superior late night jazz grows more intoxicating as the night wears into the wee hours. As the new CD title suggests, it is *Simple Pleasure* and well worth enduring Ronnie's elderly jokes for. Look out next week for more in a similar vein from tenorist's James Moody's quartet at the same place.

Gary Booth

Award for young dramatist

MARTIN Crimp has won the 26th John Whiting Award, given annually by the Arts Council to the writer of a new play which demonstrates a distinctive development in dramatic writing.

The Treatment, the play which won Crimp the award, was performed at the Royal Court in London in April. It is unusual in that the setting is New York, a city that Crimp only visited briefly as part of an annual exchange between the Royal Court and a New York theatre. It deals with skulduggery in the film world. It was a critical, but not a box office, success, but was admired by US producers and opens at the Newman Theatre in New York in October.

Crimp was awarded his cheque for £6,000 by Frances Barber, the actress, at the Hampstead Theatre yesterday. Previous winners of the award, which commemorates the playwright John Whiting, include Tom Stoppard, Peter Nicholls, Howard Brenton and David Edgar.

Antony Thorncroft

Theatre / Malcolm Rutherford

The Seagull: a fluent display of fringe virtues

CHEKHOV must have had his tongue in his cheek when he described *The Seagull* as a comedy. No play that contains so much feeling and ends with a tragic off-stage suicide can quite fit that description. Yet one sees what he meant.

The Seagull is full of ironies, has some comic characters like Sorin, the invalid brother of the actress Arkadina, and has some comic situations which should be played for all they are worth. Perhaps Arkadina in particular does not belong to the really tragic mould. But unless you have a peculiarly warped sense of humour, the younger characters – Konstantin, Nina and Masha – surely do.

The production at the Orange Tree in Richmond has many of the virtues we have come to expect from the pleasantest of London's fringe theatres. It uses the fluent translation by Michael Frayn which almost persuades one that the play was written in English in the first place. Frayn simply skips the habit of constantly repeating Russian names.

Paul Shelley's direction has clearly been carefully thought out. The acting is impeccable down to the smallest part. No irony is missed. Watch the way Diane Fletcher's Arkadina recaptures her lover, Trigorin, when he says he wants to leave her for a younger woman. Trigorin is played by David Yelland: if you look at his face, it is immediately clear that she has only partly won him back and that he despises himself for going that far.

And if you want to see a proud, tortured but unprotesting woman on stage, note Naomi Capron as Masha. There is no fuss, just a controlled suppression of emotions when she cannot have the man that she wants. This is an even harder part to play than Arkadina who, as an actress, has the perfect excuse for letting herself go whenever she wants. Ms Capron makes Masha the most interesting character in the play, for all the others are either superficial or parodies. Her performance is superb. Cathryn Bradshaw's Nina looks melodramatic beside her.

For the rest, the production is not quite satisfactory. There are times when it is impossible to see all the characters. They seem to stand in diagonal lines. As it happened, I had a splendid view of Trigorin being repossessed by Arkadina; others may not have done. Chekhov's description of the piece as a comedy may have been unduly overlooked: occasionally it could be played faster and the pregnant pauses cut short.

One of the reasons why we have come to expect such high standards at the Orange Tree is the artistic direction of Sam Walters. He has worked by developing a permanent company which understands the Richmond stage. Walters is now on sabbatical and *The Seagull* is performed by a more *ad hoc* group. The occasional lapse in the direction makes the case for a resident company, playing together all the time, look stronger than ever.

Orange Tree, Richmond (081) 940 3633

Alastair Muir

The face of love? Diane Fletcher (left) and David Yelland in The Seagull at *Richmond*

INTERNATIONAL ARTS GUIDE

■ COLOGNE

Philharmonie Tonight: Simon Rattle conducts City of Birmingham Symphony Orchestra in works by Bartok, Schoenberg and Elgar. Tomorrow: big band evening. Fri and Sat: Hans Vonk conducts Cologne Radio Symphony Orchestra in Bruckner's Eighth Symphony. Sun: Scharoun Ensemble gives world premiere of new work by Mark Anthony Turnage. Next Tues: Daniel Nazareth conducts MDR Symphony Orchestra in Beethoven and Tchaikovsky, with piano soloist Oleg Maisenberg. Sep 17: Alfred Brendel. Sep 19: Boulez conducts Boulez (0221-2801)
Schauspielhaus Sat: first night of new production of Thomas Bernhard's play *Ein Fest für Boris*, directed by Nicholas Brieger (0221-221-8400)

■ COPENHAGEN

Royal Theatre Tonight: Ariadne auf Naxos. Tomorrow and next Tues: John Neumeier's production of Prokofiev's ballet Romeo and Juliet. Fri: Bournonville's ballet Napoli (tel 3314 1002 fax 3312 3692)
Tivoli Daily till Sun: New York City Ballet. Sep 15: semi-staged performance of Nielsen's opera Maskarade. Sep 18: Katia Ricciarelli. Sep 19: final concert of season (3315-1012)

■ DRESDEN

Semperoper Tonight and Sat: Don Giovanni. Tomorrow and Sun: Zemlinsky/Dallapiccola double bill. Fri: Der Freischütz. Sun morning, Mon and Tues evening: Colin Davis conducts Dresden Staatskapelle (0351-484-2731)

■ DUSSELDORF

Deutsche Oper am Rhein The season opens on Sat with Die Meistersinger, followed on Sun by Heinz Spoerli's ballet Goldberg Variations (0211-8908-211).
Duisburg Theatre has Tosca on Fri and Don Carlo on Sun (0203-3009-100)
Schauspielhaus The first production of the new season is Shakespeare's Romeo and Juliet, directed by Karin Beier, opening on Sat (tickets 0211-369911 information 0211-162200)

■ FRANKFURT

Frankfurt's annual music festival, organised by the Alte Oper, sees its biggest concentration of events this weekend. Starting tomorrow, youth orchestras from Israel and Britain give a series of morning, afternoon and evening concerts. Fri and Mon: Marcello Viotti conducts concert performances of Leoncavallo's rarely-heard opera I Medici, with a cast led by Renato Bruson and Giuseppe Giacomini. Fri and Sat: Ivan Fischer conducts Budapest Festival Orchestra in two versions of Mahler's Das Lied von der Erde, the first by Schoenberg and the second Mahler's original. Among numerous other events over the weekend are a piano recital by Konstantin Scherbakov, concerts by the Cherubini and Carmina Quartets, and a performance of Schubert's Winterreise by Eberhard Büchner. The festival runs till Oct 6 (069-1340-400)

■ GOTHENBURG

Konserthuset Tonight and tomorrow: Neeme Järvi conducts Gothenburg Symphony Orchestra in works by Beethoven, Dvorak and Tchaikovsky, with cello soloist Mischa Maisky (031-167000)
Stora Teatern Tonight, Fri, Sun, next Tues: John Copley's production of L'elisir d'amore, sung in Swedish. Tomorrow, Sat: Offenbach's Orpheus in the Underworld. Sep 24: premiere of new ballet by Robert North (031-131300)

■ HAMBURG

Musikhalle Tonight: Lorin Maazel conducts Bavarian Radio Symphony Orchestra in an all-Brahms programme. Tomorrow: Hamburg Chamber Choir in works by Brahms, Jani Christou and Schoenberg. Fri: Ulf Schirmer conducts concert performance of Gounod's Roméo et Juliette, with Ruth Ann Swenson and Francisco Araiza. Sun morning: John Eliot Gardiner conducts North German Radio Symphony Orchestra in Weill, Brahms and Strauss, with mezzo soloist Anne Sofie von Otter. Sun evening: Gerd Albrecht conducts Hamburg State Philharmonic Orchestra in Bruch, Weber and Liszt (040-354414)

■ LEIPZIG

CONCERTS
Kurt Masur opens the 1993-4 Gewandhaus Orchestra season tomorrow with a programme of works by Georg Katzer, Bruch and Beethoven, with violin soloist Maxim Vengerov (repeated on Fri). Sun morning, Mon evening: Daniel Nazareth conducts MDR Symphony Orchestra in Beethoven and Tchaikovsky, with piano soloist Oleg Maisenberg. Sun evening: Andrey Nikolsky piano recital. Next Wed: Sviatoslav Richter plays Poulenc and Gershwin (0341-7132-280)
OPERA
The new season at the Opernhaus opens on Fri with a revival of Uwe Scholz's ballet set to Haydn's The Creation. Repertory in the opening week also includes John Dew's production of Le nozze di Figaro, Giancarlo Del Monaco's production of Il trovatore and Scholz's version of Coppelia (0341-291036)

■ MUNICH

■ Tomorrow at Gasteig, Sergiu Celibidache conducts the opening concert of the Munich Philharmonic Orchestra's new season. The programme consists of Beethoven's Fifth Piano Concerto (Daniel Barenboim) and Musorgsky's Pictures from an Exhibition. On Fri, Sun morning and Mon, Celibidache conducts Bruckner's Eighth Symphony (089-4809-8614)
■ The new season at the Staatsoper, the first to be organised by Peter Jonas, opens on Sep 18 with Günter Krämer's production of La traviata, starring Julia Varady (089-221316)

■ OSLO

Konserthus Tomorrow, Fri: Paavo Berglund conducts Oslo Philharmonic Orchestra in works by Grieg, Svendsen and Nielsen, with violin soloist Arve Tellefsen. Next week: Berglund conducts Sibelius' Kullervo Symphony (2283-3200)

■ STOCKHOLM

Konserthuset Tonight and tomorrow: Gennadi Rozhdestvensky conducts Royal Stockholm Philharmonic Orchestra in works by Nielsen, Rakhmaninov and Scriabin, with piano soloist Peter Jablonski. Sat afternoon: Rozhdestvensky conducts symphonies by Nielsen and Tchaikovsky. Tues: Bengt Forsberg piano recital (tickets 08-102110 information 08-212520)
Royal Opera Tomorrow: Cosi fan tutte. Fri: Boccaccio. Sat: Siegfried Köhler conducts first night of Folke Abenius' new production of Elektra, with a cast led by Laila Andersson, Berit Lindholm and Anita Soldh (repeated Sep 14, 21, 24, 29). Mon: Cav and Pag. There will be performances of Beryl Grey's production of Sleeping Beauty on Sep 16, 17, 25 and 27 (08-248240)
Berwaldhallen Fri evening, Sat afternoon: Evgeny Svetlanov conducts Swedish Radio Symphony Orchestra in Shostakovich's Seventh Symphony (08-784-1800)

■ STUTTGART

■ The European Music Festival, organised by the International Bach Academy at the Liederhalle, runs till Sep 19 with a main event every evening, supplemented by late-afternoon lecture-concerts and late-evening recitals featuring distinguished musicians such as Helmuth Rilling, Malcolm Bilson, Robert Levin and Wolfgang Schöne. Tonight: Hiro Kurosaki plays violin sonatas by CPE Bach, Benda and Mozart. Fri: Stuttgart Chamber Orchestra plays Haydn and Mozart symphonies. Sat and Sun: Neeme Järvi conducts Gothenburg Symphony Orchestra. Next Tues: Charles Dutoit conducts Orchestre National de France, with violin soloist Shlomo Mintz. Next Wed: Alfred Brendel (0711-295551)
■ This month's repertory at the Staatstheater is Parsifal, Die Zauberflöte and La boheme. The first new production of the season is the world premiere on Oct 3 of Hans Zender's second opera, Don Quijote de la Mancha (0711-221795)
■ Between Fri and next Wed, the Stuttgart Ballet is in residence at the Ludwigsburg Festival with Die Zauberflöte, Maurice Béjart's choreography of the opera. The festival also includes a recital of violin sonatas on Sun, song recitals by Edita Gruberova and Renato Bruson (Sep 19 and 20) and concerts conducted by John Eliot Gardiner and Roger Norrington (Sep 21 and 23). The final event on Sep 26 is Verdi's Giovanna d'Arco in concert (07141-949610).

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
***Friday:** Exhibitions Guide.*

European Cable and Satellite Business TV

(All times are Central European Time)

MONDAY TO THURSDAY

Super Channel: European Business Today 0730; 2230
Monday Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Edward Mortimer

The grand design

Europe needs to plan a wider union that is able to look after itself

The shape of Europe has been irrevocably changed by the collapse of communism. That was already so obvious at the time that it has become a cliché. But it may be only in 1993 that political leaders have begun to absorb that change. American leaders have stopped behaving as though Europe were their top priority. West European leaders have accepted, at last June's Copenhagen summit, that "the associated countries in central and eastern Europe that so desire shall become members of the European union".

The importance of the successful transformation of central and eastern Europe for western Europe's security is also a cliché. But its economic importance has been less emphasised of late, as the difficulties and risks of the process have come to be better understood. It is good therefore to be reminded, by the director of the Centre for European Policy Studies in Brussels, Mr Peter Ludlow, that "there is no other single source of hope for western Europeans as important as the rapid growth of central and eastern Europe".

Mr Ludlow makes the point in a paper entitled Beyond Maastricht (CEPS working document no 79, July 1993), which attempts to set the EC agenda for the next few years. It was finished a few days before the climax of the crisis in the European exchange rate mechanism. That will certainly provide fodder for the "revised and extended version" promised for October, but is unlikely to affect the main conclusions. The essence of Mr Ludlow's reaction can be divined from the following sentence: "If, despite everything, instability becomes the norm and the prospect of hanging on until 1997 or 1999 in a system such as the present one becomes unsustainable, an accelerated timetable towards a core monetary union would be preferable to a new era of floating..."

By itself, that would be little more than a desperate reiteration of Euro-orthodoxy. The originality of Mr Ludlow's approach lies elsewhere, in that he has not only grasped the new strategic context but integrated it into his vision of the EC/European Union's future. This means that short-term planning has to be dominated by the timetable of enlargement negotiations with the Efta countries, while long-term planning must be undertaken both for and by (a crucial point) a wider Europe stretching eastward to the frontier of the former Soviet Union.

Mr Ludlow correctly identifies access of central and eastern European producers to the western market as the most important issue, and "the real and imaginary fears" of EC member states about competition from the east as the main constraint. He suggests that this be tackled head on: the two sides should work together to develop common strategies in the "sensitive sectors", including "a new common agricultural policy". Strong stuff, but as he says, "both sides are going to have to take far-reaching decisions about agriculture anyway. Why not, as prospective partners, prepare the ground together?"

East and west should develop common strategies in the 'sensitive sectors'

As if that were not enough, Mr Ludlow goes on to point out the financial implications. "It is clearly unacceptable," he writes, "that the associate states which have now been accepted as prospective members should continue to receive financial assistance from the EC worth less than 10 per cent of the structural funds allocated to the four poorest member states." He urges an investigation of "the benefits for the EC if it began sooner rather than later to treat the associate states according to the same criteria and on the same footing as it has already agreed to treat its own poorer regions".

Mr Ludlow anticipates the "response of hardened budget experts within the EC... that increases in the EC budget of the order needed are inconceivable", but brushes it aside as "a superficial and short-sighted judgment of the kind which opponents of the Marshall Plan ... advanced in the United States after the second world war". The prosperity of eastern Europe, he concludes firmly, "is in western Europe's interest and the costs should be rapidly offset by the benefits".

In the shorter term, Mr Ludlow argues that the Maastricht revision conference scheduled for 1996 should be brought forward to 1995, as soon as possible after the French presidential election; and that the Efta candidate countries should be included in it, as Spain and Portugal were in the conference that negotiated the Single European Act in 1985. They, with whichever existing member states feel the need to do so, could then hold more or less simultaneous referendums on their accession treaties, including whatever amendments to Maastricht have been agreed, rather than subjecting us to another series of cliffhangers like those of 1992-93.

Mr Ludlow is too hard-headed to adopt my proposal that the conference be replaced by an elected constituent assembly. But he does suggest that it should be preceded by a strategic review, to identify the threats or risks to European security in the new situation and the instruments (both military and economic) available to meet them. Those instruments include Nato, but arguments about the competence and value of Nato can no longer be a substitute for the development of a European capacity to deal with European problems.

As Mr Ludlow puts it: "Europe's leaders cannot at one and the same time bemoan the demoralisation which their failures in the former Yugoslavia have caused and run away from trying to develop a collective framework in which to deal with this and future problems."

The review, he suggests, should be set in motion by the special EC summit planned for late October. That will not be a moment too soon.

Increasing bancassurance sales are at the expense of UK insurance companies, says Norma Cohen

Doors slam shut in salesman's face

It is the kind of divorce that makes headlines. The Halifax, Britain's largest building society, last week announced it would sever its ties with one of the UK's largest insurance companies, Standard Life.

Citing irreconcilable strategic differences, Halifax said it would form its own life insurance company next year, whose products would be sold exclusively in its own outlets. The move is a blow to Standard Life, which totted up nearly a fifth of all its UK sales through the Halifax last year.

Standard Life thus becomes the latest – and largest – casualty of a trend which has seen the main life insurance companies frozen out of the high-street retail branches that helped them sell their products most cheaply.

Banks and building societies are eschewing the role of commissioned sales agent for leading insurers, and choosing to set up their own life companies. The development comes when, by all accounts, there is already far too much capacity in the industry and observers are predicting a shake-out.

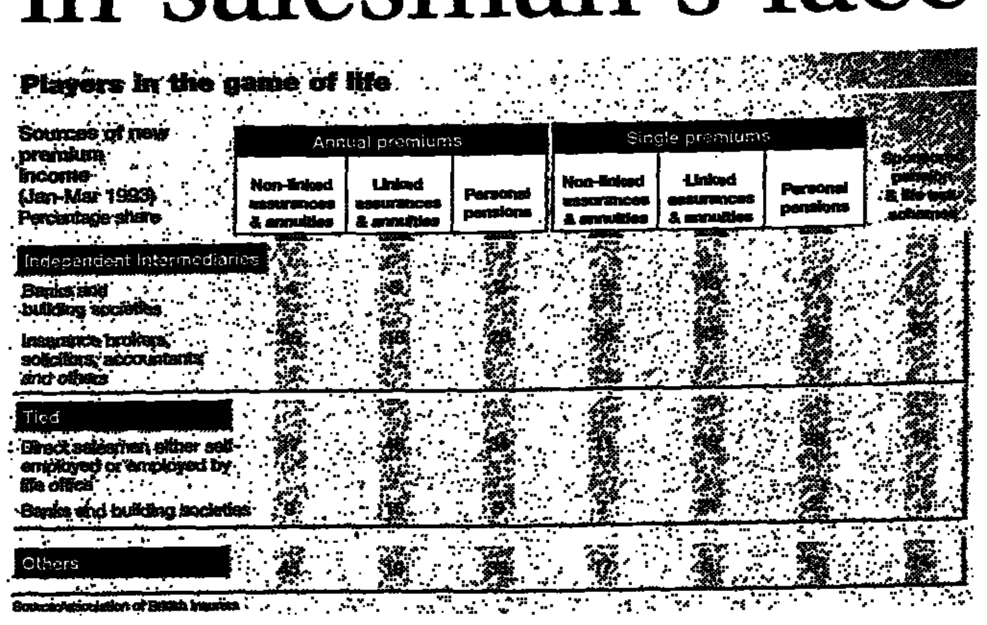
Mr Tom King, general manager in charge of marketing at Standard Life, said: "I don't think the marketplace is big enough to hold all those companies which are out there."

But the banks are not concerned about overcrowding in the market. Mr Michael Wadsworth, partner in the insurance practice at consulting actuaries R Watson and Co, estimates that the average insurance sales agent based at a bank or building society sells four to six times as many policies a month as the average sales agent who solicits business from customers in their homes or by telephone.

As a result, bancassurance – insurance products sold through banks and building societies – is a cheaper sales method than the traditional route. By the end of the decade, Mr Wadsworth forecasts, bancassurance will account for 30 to 50 per cent of the UK retail financial services market.

Banks have long been aware of their potential as insurance distributors. Mr Brian Pitman, chief executive at Lloyds Bank, recalled that in the 1950s Lloyds allowed branch managers to broke independent financial advice, pocketing the commissions they earned on each sale. "Some of them made more money as insurance brokers than they did as branch managers," said Mr Pitman.

Lloyds Bank stopped the sales in the 1960s, but compensated its managers for the sums they earned selling insurance. The episode illustrates the potential of banks and building societies to act as the natural marketplace for retail financial products.



The current growth of bancassurance has its roots not only in commercial considerations but also in the regulatory framework governing UK financial services. The Financial Services Act, which took effect in 1988, led to "polarisation". Sales agents had either to "tie" themselves to one company by selling its products exclusively or remain "independent" by selling the best products from all providers.

Most banks and building societies realised that customers did not always recognise the difference between independent and tied advice. Tying themselves to one company earned the banks and societies more money, because insurance companies pay higher commissions to those selling their products exclusively.

It was only a short step for them to decide that having their own insurance operations and selling their own products was most profitable of all.

Mr Pitman of Lloyds said: "Our market research showed that, if we sold our own products, our customers would buy them. And our analysis showed that underwriting would be more profitable than broking." Lloyds entered the business by taking a 60 per cent stake in Abbey Life in 1988, an operation that earned it more than a third of its profits last year.

Similarly, National and Provincial Building Society, which recently announced plans to combine with the Leeds to form Britain's third-largest society, earned 25 per cent of its 1992 profits from the sale of its own retail financial services.

'Mr and Mrs Homebuyer will fall off their chairs when they see those numbers'

But some seeds of doubt about the virtues of bancassurance have been sown, partly by new Treasury rules allowing prospective policyholders to learn more about the costs of insurance products. Buyers, for instance, will have to be told in cash terms how much the sales agent will earn on a policy as commission and how much of the premium payments will be withheld by the insurance company if the policy is cashed in early.

For long-term policies, consumers can lose up to the first two years of premium payments in administration charges and commission, and may have to pay premiums for 10 to 12 years to earn a full refund of all premiums paid on a 25-year endowment policy. Under the new rules, such information will have to be revealed to those shopping for a policy, from next year.

"Mr and Mrs Homebuyer will fall off their chairs when they see those numbers," said Mr Roman Cizden, life insurance industry analyst at the stockbroker Smith NewCourt.

Bank and building society outlets have been most successful in selling endowment policies, because they also sold the mortgage that went with it. Homebuyers have been convinced that an endowment was the best option – even though it often led to higher monthly repayments without tax relief and to heavy penalties for early encashment. By 1991, some 80 per cent of all mortgages sold in the UK had an endowment policy attached.

Questions about the bancassurance strategy have been raised by one of Britain's largest building societies, which has severed its tie with a leading insurance company, saying it did not believe the insurer's staple product – endowment mortgages – was necessarily in its customers' best interests.

Mr Andrew Longhurst, chief executive of Cheltenham and Gloucester Building Society, Britain's sixth largest, announced last month that the society would not renew its five-year contract with Legal and General Assurance Society, under which C&G agreed to sell L&G insurance products exclusively. C&G decided to abandon retail financial products and concentrate on the sale of so-called interest-only and repayment mortgages, which are sold without the ancillary endowment insurance policy.

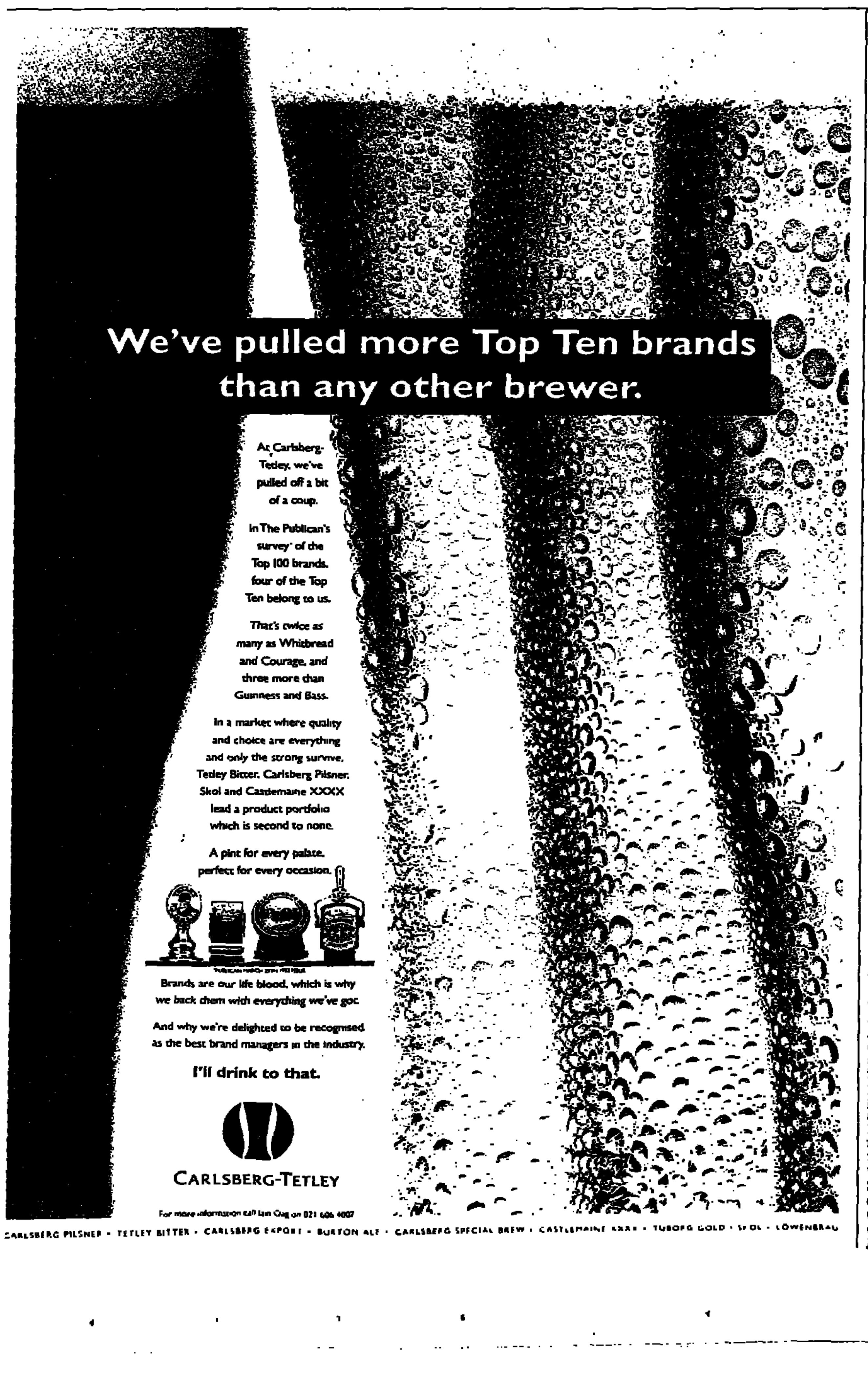
Industry observers point out that endowment policies have often been the principal product in a bancassurer's sales strategy. If the new transparency rules cause buyers to lose their taste for endowment mortgages, what will happen to the bancassurance approach?

Mr Wadsworth noted that bancassurers had been most successful with relatively simple endowments, unit trusts or lump-sum investment bonds. They had achieved less success at penetrating the growing market for personal pensions, which is more complex and which requires more sophisticated training of salespeople.

Industry statistics, produced by the Association of British Insurers, bear this out. While banks and building societies sold 21 per cent of unit-linked insurance policies in the UK in the first quarter of this year, they sold 5 per cent of annual premium pension products.

Mr David Prosser, chief executive of Legal and General, argued that, while some bancassurers would succeed, they could not satisfy customers over the long term. "What the average consumer wants is someone to talk to about their problems and who will be around in five years to answer their questions."

Insurers are putting a brave face on the erosion of their distribution channels, and say they can make up lost sales by cultivating their personal relationships with customers and selling them a range of products over their lifetime. But the wave of mergers and acquisitions of small to medium-sized insurance companies is testament to the strength of the bancassurers and the inroads they have already made into the market.



LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Science that provides no absolute answers

From Dr Sue Mayer.

Sir, In her article, "Greens' bogus science" (September 6) Bronwen Maddox attacks Brian Wynne and myself for criticising the way that science is used in environmental policy.

Bronwen Maddox's own analysis amply illustrates the issues by conferring a "rigour" on science which the Financial Times would never ascribe to economics. She concludes that there is a firm distinction between "needless worries" and "real threats". She implies this difference can be proved. In real life, science, like economics, is not like that. Nor is decision making.

The problem we and others have identified is that science is systematically abused by governments and industry in order to use its authority to disguise value judgments and policy decisions.

A common example is the use of the absence of data to imply there is nothing happening in the environment: for example, the now discredited principle of "dilute and disperse" was justified because sulphur emissions or sewage discharges were diluted to the point of immeasurability.

Similarly, the UK government measures radioactive emissions, but it assumes that a one in 10,000 risk of dying as a result of radioactive discharges is acceptable: the measurements are scientific but the definition of the problem (a "real threat or a needless worry") is not.

Bronwen Maddox claims that the proposals for a precautionary approach "destroy any notion of proof". In reality, scientific proof of safety is already unattainable and it is in the face of this that we propose the implementation of a precautionary approach. We should use the best scientific knowledge available to us to make decisions but not ignore its limitations in favour of vested interests.

Sue Mayer,
director of science,
Greenpeace UK,
Canonbury Villas,
London N1 2PN

Britain well out of social 'shackles'

From Mr Richard Brown.

Sir, At last European Commissioner, Padraig Flynn, shows the Commission's true colours on social policy ("Brussels to side-step UK on works councils issue", September 7). In backing the absurd notion of a World Social Charter, he is again pushing the idea that if we cannot compete effectively then everyone should be equally handicapped with higher employment costs.

Those saddled with the high costs of implementing the Social Chapter are now waking up to their loss of competitiveness in relation to the Pacific Rim. Their response has not been to throw off the shackles, but to call for the same costs to be imposed around the world. The UK is well out of it.

Richard Brown,
deputy director general,
Association of British Chambers of Commerce,
9 Tufton Street,
London SW1P 3QB

BR's secret pot of gold?

From Mr Graeme P Thomson.

Sir, I am afraid that John Welsby, BR chief executive, railways (Letters, September 1), missed one major potential source of revenue for BR – actually enforcing the purchase of tickets by the travelling passengers.

As a commuter who travels extensively on the rail network, I have become increasingly concerned and annoyed at just how easy it is to evade paying fares. I recently kept a regular log of when I was asked to produce my ticket. Over a three-month period the average was once every four days; on one occasion it was once in 16 days.

It is clear that there has recently been a heavy fall-off in the number of station ticket-collecting staff and of stations at which staff are present, especially early morning and late evening. Penalty fares are no real deterrent at £10 a time.

Are the uncollected revenues a secret pot of gold to encourage privatisation operators to bid for franchises?

Graeme P Thomson,
197 Kings Hall Road,
Beckenham, Kent BR3 1LL

Free market breaks up the family

From Mr Tony Cleaver.

Sir, Lord Lawson is still fighting yesterday's battles against socialism ("A paean of praise to capitalism", September 4/5) and fails to recognise that freedom of the marketplace is acting to undermine the family values he espouses, not support them.

The pursuit of self-interest; the increasing economic and social liberation of women and men; the market's need for occupational and geographical mobility and its lack of adequate valuation for a sense of community and permanence all operate to assign a low price and priority on long-term social relationships, ie families.

Fewer and fewer people are willing to subordinate their own personal interest to that of their family, as Lord Lawson commends. A dynamic, competitive, atomistic market system causes families to break up. It is happening all around us; hasn't he noticed?

Tony Cleaver,
BP fellow in economic awareness,
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UK exporters need more diplomatic back-up

From P P Kennedy.

Sir, Your Observer column, "Sundown in the east" (September 1), drew attention to the fact that the UK has far fewer diplomats in the Commonwealth of Independent States than its main commercial competitors.

On behalf of British contractors working in international markets, I would like to say that I share the concern of your columnist at what appears to be a dangerously short-sighted approach to important potential markets of strategic significance.

In countries such as those of the CIS, where many companies are taking their first tentative steps to build up a network of local knowledge and experience, diplomatic help on the ground is vital. If British contractors are to establish themselves in these new markets, an increase in diplomatic representation is essential. In many of the CIS states, government officials are accustomed to dealing with civil servants and diplomats from other governments and it is important that the UK has representatives of a high standard in place. This must not be done, of course, at the expense of existing representation in other developing areas where a continuation of political and commercial advice is equally important.

In 1991 the construction industry generated business worth some £7.6bn in total exports for the UK, and the recent steps taken by the government to reduce some of the difficulties faced by British exporters are very welcome. These measures have included extending the availability and increasing the extent of cover for export credits and reducing premiums, and launching a major initiative to identify and second export market specialists from industry to the Department of Trade and Industry. It does seem perverse, therefore, for a government that has recently expressed and demonstrated its support for exporters to follow at the same time a policy of limiting diplomatic representation in potentially rewarding markets.

Is this a case of the foreign office pursuing its own agenda, or is it simply a matter of Treasury penny pinching? What is obviously required is greater co-operation between Whitehall departments to ensure that adequate representation is present in the CIS states to enable exporters to take advantage of the greater assistance on offer from the Department of Trade and Industry.

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Wednesday September 8 1993

Regulating the regulators

AN IMPORTANT sub-plot during the Monopolies and Mergers Commission investigation of the gas industry was British Gas's attempt to curb its regulator's power. As the full MMC reports published this week show, British Gas pressed the line that its regulator Ofgas was aggressive, unpredictable and strident. The MMC rightly rejected the company's more extreme criticisms, concluding that the system was fundamentally sound. But it did suggest that a broader review of utility regulation might be in order.

The idea is a good one. But before embarking on any such review, it is important to appreciate that there is no regulatory crisis. Utilities have not been reduced to quivering wrecks by overmighty regulators. If anything, they have been able to earn handsome profits at the expense of the consumer.

There have, of course, been rows. But these are not evidence of regulators running amok. Rather they are the consequence of strong personalities such as Sir James McKinnon, Ofgas's chief, battling for consumer interests against utilities which have naturally wanted to cling to monopoly profits. It is no accident that the biggest rows have been in gas and telecommunications, which were left as integrated monopolies when privatised rather than being split up. If regulators' wings were clipped, they would be less able to ensure fair treatment for consumers.

Similarly, the criticism that there is no adequate appeals process against regulatory decisions is exaggerated. On most important issues, a utility can appeal to the MMC. The fact that British Gas has been able to persuade the MMC to recommend relaxation of some of its regulatory controls shows that the checks and balances are working.

Nor is the argument that regulators have too much discretion convincing. It is true that in some respects regulatory discretion is wide. But what is the alternative? A more legalistic system is used in the US. But the consequence has been that utilities have used their greater financial resources and control of information to tie their regulators in knots. Another possibility would be to hand regulatory power back to ministers. But that hardly seems a good idea when one advantage of privatisation has been to reduce political interference in commercial decisions.

The more telling criticism of the system is its lack of openness. Often regulators fail to give reasons for their decisions, too many of which are taken behind closed doors. As a result, it can be difficult for interested parties to influence and challenge regulatory decisions.

But regulators are not solely responsible for secrecy. Utilities have often tried to prevent the publication of detailed financial information that lies behind regulatory decisions on grounds of commercial confidentiality. Moreover, there are signs of improvement. Ofwat has been a model of consultation in its preparation of new price controls for water companies, while Oftel is about to experiment with a roundtable seminar to determine telecommunications interconnection terms.

Undoubtedly more needs to be done and this is why the government should take up the MMC's suggestion of a broader review, which could draw up a code of practice as British Gas has advocated. One candidate to conduct such a review would be the MMC itself. But since its powers and procedures should ideally also be examined, a better candidate would probably be the Office of Fair Trading. Either way, given that secrecy is the current system's main defect, the review should be open.

Job for Mr Hunt

THE BRITISH government may not have finished with the trade unions yet. As the increasingly depressed and depleted band of brothers and sisters confers this week at the annual Trades Union Congress, Mr David Hunt, employment secretary, is saying that options for further curbs on union activities are still being reviewed.

However, if the government continues to pursue the unions, it will find itself engaged in an activity yielding diminishing returns. The quest to strengthen individual employment rights and, at the same time, cut the red tape that business deplores, could be conducted more profitably elsewhere.

Mr Hunt should look first at the creaking industrial tribunal system which – as reported in the Financial Times yesterday – is currently failing employers and employees alike. What was once supposed to be a quick route to justice has become bogged down in legalism and excessive delays.

The recession and an increasing awareness by workers of their rights has led to a sharp increase in the number of cases registered: in 1990-91, there were about 43,000 applications to tribunals; for 1992-93, the figure stood at just under 72,000. Half of these cases have to wait six months to be dealt with – and in London delays of a year are not uncommon.

As the jurisdiction of tribunals continues to widen with each new piece of employment legislation, and rulings from Brussels and Luxembourg further complicate matters, the system is beginning to buckle. It is time for a fundamental review by the government of options for reform.

Three proposals, in particular, should be given serious consideration. First, the current arrangements which require representatives of both employers and employees to sit alongside a legally qualified tribunal chairman in almost all cases should re-examined. Speedier and cheaper would be to appoint one specialised and highly qualified individual who could adopt a more inquisitorial approach.

Second, as the Engineering Employers' Federation has suggested, the tangle of case law built up over the last 30 years could be replaced by a set of modern codes of employment practice. Tribunals would refer to the codes, freeing both employers and applicants from the need to employ lawyers in almost all cases.

Finally, where both sides agree, arbitration, perhaps under the auspices of the Advisory, Conciliation and Arbitration Service, could be made available for individual employment grievances – a move which would help to relieve the pressure on the tribunals.

Green agenda

EMOTIONS about the environment run deep, as the FT's postbag in response to a summer series of leading articles about green issues has demonstrated.

The core of our argument has been that the costs and benefits of environmental policies must be established as precisely as possible and that priorities should be set on the basis of those calculations and judgments. This is the inescapable task of the next phase of environmental politics, which must try to implement the rafts of regulation which governments have written in the last two decades. Everyone should consider that legislative effort a success; we should also learn from it.

The costs of going green need to be made explicit, particularly as recession has deepened reservations about meeting the bill. If people are ignorant of price, their environmental demands may be limitless. But when UK water companies this summer asked their customers where they would like money spent, the results confounded those who say that customers cannot make hard environmental choices. More on getting lead out of drinking water, even at the expense of better sewage treatment, was the clear answer.

Governments and pressure groups also need to do a better job of helping people judge which trends pose the greatest risk to their health. One global "danger" after another has provoked anxiety: from over-population to food and energy shortages, to ice ages and then global warming.

Some of these have stood the test of time more than others: the risk of global warming, the FT has argued, should head the current list. Some look overblown, such as fear of nuclear power, genetic engineering, ozone holes or loss of species. The UK's Health and Safety Executive, a government agency, has published perceptive reports pointing out that people's fears often correspond poorly to the risk of disaster.

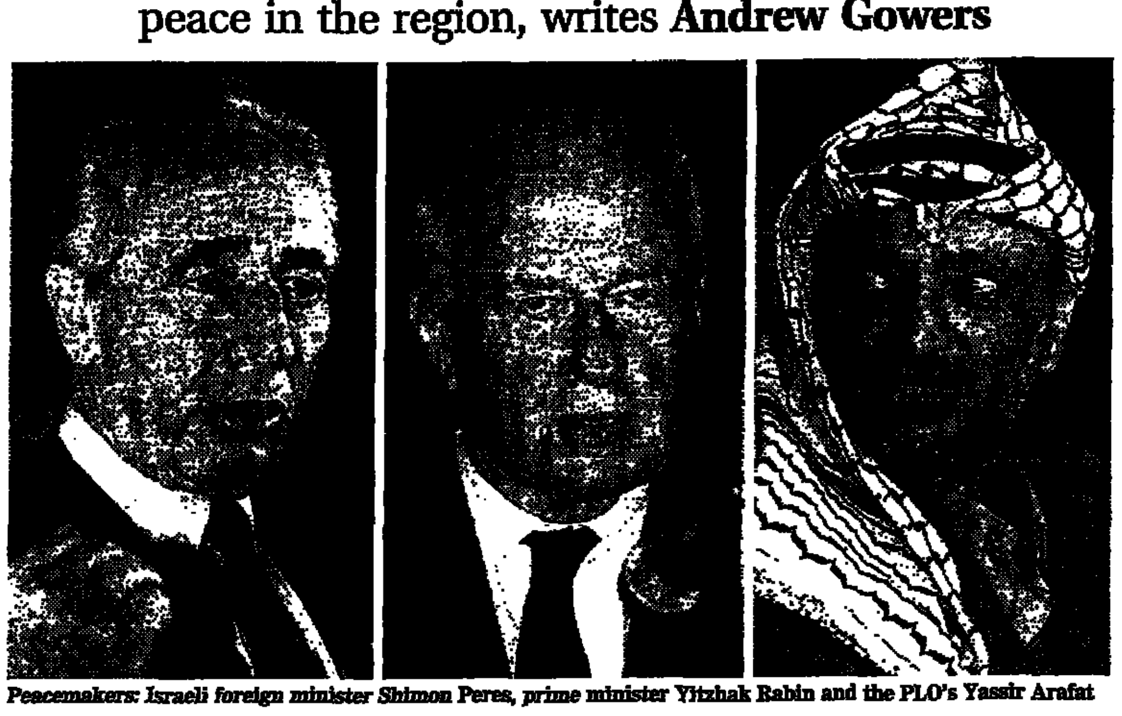
There are limits to the precision with which economists can value environmental preferences, but those who resists attempts to price the environment are more often than not wishing, undemocratically, to impose their preferences upon others.

The public has shown strong support for green issues in the past two decades; in the past two years it has also shown realism about the costs. But a healthy debate requires accurate information about the state of the environment, which governments have frequently failed to provide. The green wish list is long and there is no sign that the world is willing to pay for all of it.

Previous articles: July 21, August 2 and 19 and September 1.

Fragile hopes light the horizon

The Israeli-PLO rapprochement could lead to a wider peace in the region, writes **Andrew Gowers**



Peacemakers: Israeli foreign minister Shimon Peres, prime minister Yitzhak Rabin and the PLO's Yassir Arafat

Outsiders have long been bemused by the tendency of Israelis to liken their dour prime minister, Mr Yitzhak Rabin, to France's General de Gaulle. But as the Israeli populace awakens with a mixture of anxiety, cynicism and fragile hope to the possibility of Arab-Israeli peace, it is beginning to look as if the comparison is not far from the mark.

As French president in the 1950s and early 1960s, De Gaulle fought a brutal war against Algerians seeking to shake off colonial rule, then sat down with the Front de Libération National (FLN) to negotiate peace. Now the 71-year-old Mr Rabin, who is also minister of defence, is shuffling his way to a similarly historic deal with the Arabs with whom Israel has been in conflict since its foundation in 1948.

The next few days should see the signing of an agreement between Israel and the Palestine Liberation Organisation – a movement consciously modelled on the FLN – that will permit Palestinians in the West Bank and Gaza Strip, under Israeli occupation since the 1967 Middle East war, to take incremental control of their own affairs.

As important, the two sides may exchange letters of mutual recognition in which PLO leaders will renounce violence and call a halt to the *intifada*, the six-year-old Palestinian uprising in the territories – thus setting out together down a road that could lead to an independent Palestinian state.

In embarking on this course, Israel's Labour-led coalition government is out to crack the issue of the Palestinians, which is at the heart of the Arab-Israeli conflict. If it succeeds, the Israeli government and the PLO will have broken the logjam obstructing progress towards a wider peace between Israel and the Arab states to its north and east.

And the vision that some Israeli leaders have dreamed of for years – a Middle East devoted to economic co-operation rather than condemned to war – could start to hove into sight. Small wonder that the Tel Aviv stock exchange has this week been hitting all-time highs.

The enthusiasm is, of course, somewhat premature. A lot could still go wrong on all sides. For the time being Mr Rabin, a cautious and hard-headed man, is sensibly keeping the lowest of profiles, confining himself to terse public statements about the need for "painful compromises" with hated enemies and leaving his foreign minister, Mr Shimon Peres, who negotiated the PLO deal in Norway a fortnight ago, to make all the running.

Other Israeli leaders, from President Ezer Weizman down, are warning that the hard part – negotiation of detail on security arrangements in the occupied territories, and the separation of peoples whose lives have become horribly entwined in the past 25 years – still lies ahead. "We've just broken through the barbed wire," the head of state said this week, deploying a characteristically homespun military metaphor. "It's the hardest part of the battle when you start to break through."

But the negotiating process has now established such momentum that it is difficult to see how Israel, the PLO or sceptical Arab states such as Syria could revert to business quite as usual even if the advance gets bogged down.

In Israel, the prospect of peace agreements has burst forth so suddenly that the public is still dazed. Right-wing opponents of the deal with the Palestinians, such as Likud party leader Mr Binyamin Netanyahu, are mustering their forces, accusing Mr Rabin of negotiating a deal that will mortally endanger Israel's security. Jerusalem is festooned with banners proclaiming virulent opposition to Israeli withdrawal from the Golan Heights, a strategic slice of Syrian territory also seized in 1967. And last night, radical Jewish settler groups from the occupied territories were setting out to barricade Mr Rabin in his office for 24 hours in protest.

But the opposition is divided, with Likud still smarting from a divisive leadership election. What is more, there are growing signs the right is out of touch with the Israeli mainstream. The settlers number only 4 per cent of Israeli Jews, and even some of them are resigned to giving up their homes.

While the fears and uncertainties should not be underestimated, most polls show a clear, if narrow, majority of Israelis backing the current peace deal. In time, if Israelis and Palestinians show they can co-exist as equals, the majority could even become substantial enough to permit the territorial compromises that will be necessary to achieve a final settlement of the conflict.

"There is a general mood in the country that the present agreement in principle is something we should support because we are tired of wars," said Professor Shlomo Ben-Ami of Tel Aviv university. "People are worried, they want to know more about what is going on. But basically the majority of Israelis have turned against strong ideological positions."

This week's events are the product of a long and painful evolution of Israeli as well as Palestinian opinion, and of a remarkable political double-act between Mr Rabin and Mr Peres, two men who cordially detest one another and who respectively represent the hawkish and doveish faces of the coalition elected just over a year ago.

A country that has lost 18,000 dead in Arab-Israeli wars cannot find it easy to contemplate peace. A people almost eliminated in the Holocaust still lives in fear – sometimes justified, sometimes irrational – for its existence. And the Palestinians, the people dispossessed of a country when the Jewish state was born, have long been the incarnation in Israeli eyes of the forces that threaten the country's survival.

That Mr Rabin now seems prepared to concede them the beginnings of the state they denied themselves in rejecting the 1940s partition of Palestine reflects more than war-weariness. It constitutes an existential choice, born of the *intifada* and the realisation that 5m Israelis could not afford, financially or morally, to seek indefinitely to control the territories and their 1.9m Arab inhabitants.

Maintaining a hated military occupation is a burden that a small state with a vigorous democracy and a desire for international acceptance could not bear for ever. And the uprising was a vivid expression of the Palestinians' desire for political rights of their own.

As a senior government figure put it yesterday. Israel had to decide: it could grant them such rights as Israeli citizens, thus becoming a binational state; it could expel the Arabs from the West Bank and Gaza as urged by voices on the extreme right, and in the violent process destroy its moral legitimacy; or it could practise a form of apartheid by openly treating them as second-class citizens. "Judaism and racism are in contradiction by their very essence," said the official. "Any such idea would mean we were not a Jewish state."

Or it could allow the Palestinians to rule their own lives as a separate people. "No doubt they are an entirely different entity from us – religiously, politically, you could even say nationally," the senior official added, in a sign of how far government thinking has moved.

The road to that separation is complex and perilous. The proposed interim self-rule agreement is supposed to start with a redeployment of Israeli troops from Gaza and an area around Jericho and an early handover of powers in those areas to a Palestinian authority. Much detail, such as how Israeli forces still present to protect Israeli settlers will work with a proposed Palestinian police force, has still to be negotiated. Opposition to the deal among Palestinians is such that the result could be horrific intra-Arab violence, and nobody has come up with a plausible answer as to how Israel would respond.

There is also a danger that the politics could turn sour – especially if Mr Yassir Arafat, PLO chairman and self-styled president of Palestine, claims his state before the Israelis are ready to discuss it, or seeks to pre-empt the ultra-sensitive question of Jerusalem, claimed by both sides as their capital.

But as both sides keep acknowledging, this is very much an interim agreement in which such issues are left for final negotiation in a few years. If it is signed, both sides will have an enormous incentive to make it work, not least by improving the economic lot of the Palestinians in the territories and combating the Islamic fundamentalism that breeds in the slums of Gaza. If they do, it is more than likely that Palestinian statehood – possibly in a loose confederation with Jordan – will be up for discussion before too long.

And at that point Israel would be well on the way to attaining the status so long denied it – that of a normal state at the heart of the Middle East, able to devote its considerable intellectual and commercial talents towards sorting out its economic problems and taking a leading role in the development of its neighbourhood.

Lines drawn for mobile warfare

Andrew Adonis on growing rivalry in the phone market

Until now, competition in the UK cellular phone industry has done little to contain excessive profits. If Mercury One-2-One, the new network launched yesterday, continues as it has started with its offer of free calls, the industry's licence to print money may be cancelled. But it is fantasy to think that, as a result, the mobile phone will compete head-on with the fixed-line phone in the immediate future.

Yet Lord Young, chairman of Cable and Wireless, declared BT was the "real target" when he unveiled One-2-One. He said anyone would be "mad" to use a BT fixed phone in preference to a One-2-One cellular phone for local calls in the evening and at week-ends.

Mad, up to a point. Local calls on the One-2-One network will be free at weekends and after 7pm on weekdays. The offer only applies if you live in the London area. One-2-One is expanding rapidly, but it will be another two-and-a-half years before it has national coverage.

However, One-2-One is "free" only after you have bought a handset for at least £250 and paid a monthly fee of £14.69. Fixed-line phones sell for a tenth of the price, and BT's monthly line rental is £7.65.

Furthermore, to make a One-2-One local call on the personal consumer tariff at 6pm rather than 7pm, you pay through the nose. It costs you £2.94, against 15p on BT. True, that is BT's off-peak rate, but go back to 3pm and the BT price rises only to 40p. For national calls you will also pay a hefty premium on One-2-One, before or after 7pm.

Most private consumers, then, would be mad to see One-2-One or any other mobile service as an economic replacement for a fixed phone. Lord Young's free local calls are nevertheless more than a gimmick. For the first time, the marketing of mobile phones is being pitched at the domestic consumer, not just the business user. In the process, One-2-One is bringing extra competition to an industry desperately in need of more.

Mercury One-2-One is in fierce competition with the two existing mobile operators, Vodafone and Cellnet, not with BT's national network. As the mobile phones enter the consumer market, they will be an extra, not a replacement for a fixed line phone. Indeed, as a fixed-line operator, Mercury is trumpeting the virtues of the cable companies, which are creaming private consumers from BT in urban areas on the basis of still lower fixed-line call tariffs.

For private consumers a mobile service is not an economic substitute for a fixed phone

Until now, neither Vodafone nor Cellnet have seriously attempted to market their wares to private individuals. They have not needed to. With operating profits at nearly half of sales, it has been enough for them to assemble the growing number of business customers who regard a mobile phone as essential.

Low-user tariffs, introduced by Cellnet and Vodafone last year, gave reduced subscriptions in return for even higher call charges, but they were of appeal mainly to a different segment of the business market. Vodafone's low-user tariff accounts for only 106,000 of its 926,000 customers.

Three things are needed for a large consumer cellular market: networks which can handle high volumes, and affordable entry charges and call tariffs.

The first condition is now fulfilled. One-2-One is just one of several high-capacity digital networks coming into service. Vodafone launched its EuroDigital network earlier this month; next month it unveils a MetroDigital service aimed mainly at the local market. Cellnet launches a digital network next year.

It is only a matter of time before high digital handset prices – the main barrier to consumer entry – start to tumble. Handsets for the old analogue networks are already as low as £70. Manufacturers suggest it will take two-to-three years to get digital handset prices down from £250-£400 to under £100.

That leaves call tariffs, which Mercury has started to axe. In anticipation of One-2-One, earlier this summer Vodafone announced tariffs for its new MetroDigital network which were lower than any it had set before. Cellnet sharply cut prices in London last week. Expect further reductions soon.

Meanwhile, BT is a not a completely idle onlooker. It has a majority stake in Cellnet. And it can ill afford to be semi-detached from the cellular industry if, a few years hence, One-2-One's prices make mobile phones a real competitor to the fixed-line.

OBSERVER

Economically speaking

■ It may have lost a good number of general elections recently but no one can say the British left lacks tenacity. Today sees the launch of yet another attempt to get its economic message across.

New Economy, a 62-page quarterly described as half journal, half magazine, sets out to reconquer the field of easily understandable economic writing ceded during the 1980s to such right-of-centre publications as Economic Affairs.

Produced by a left-wing think-tank – the Institute for Public Policy Research – New Economy strikes a suitably populist note, banning the algebra and footnotes that sometimes pepper learned economic journals.

The aim is "to be lively and have meat", says editor Dan Corry, a former Treasury official and adviser to the Labour party front bench.

He believes New Economy will appeal to non-economic specialists and A-level students. But it does not neglect academics. Thanks to Simon Wren-Lewis, professor of macroeconomic modelling at Strathclyde University, it will make a regular feature of a new slimline economic model with the unsexy name of Compact, which will offer a guide to UK economic policy.

There is little doubt that the launch issue's 5,000 print-run will be eagerly snapped up; the publisher, Academic Press, is giving it away.

But the big test will come – as ever – when punters have to vote with their cheque books. In early 1994, New Economy will go on sale by subscription at rates of up to £95 a year.

Chat-up line

■ Lord Young, chairman of Cable and Wireless, was brimming with confidence at the launch of Mercury's One-2-One cellular phone service yesterday.

He enthused about the merits of its free off-peak local calls and lamented that the system had not been available when his children were teenagers.

When suggesting people could talk all night he did, however, gloss over the fact that the phone's battery only lasts 55 minutes. Fortunately, of course, replacements are available at extra cost.

Poetic justice

■ The annual Trades Union Congress has long been a dispiriting affair; this year's in Brighton is no exception. The proceedings are passionless and rigidly stage-managed. The conference has had its moments though, including one memorably poetic exchange yesterday.

Summing up a debate about labour legislation, Jimmy Airlie,

'Book me a restaurant – but make sure it's outside the M25'

the AEEU's national officer in Scotland, ended by quoting from *the Mask of Anarchy* by Percy Bysshe Shelley:

"Rise like lions after slumber
In unvanquishable number –
Shake your chains to earth like dew
Which in sleep had fallen on you."

But Arthur Scargill, the miners' leader, arguing for more militant opposition to the government's employment legislation, politely pointed out that Airlie had missed the final line of the verse: "Ye are many – they are few."

It is no coincidence that the two men know that verse from the revolutionary old Etonian poet so well. It once adorned the membership card of the Young Communist League – of which both were members.

Close encounter

■ The travails of public transport. A familiar looking character sitting on a tube was approached by a stranger. "Excuse me sir, are you Norman Lamont?" "Yes," said the former chancellor, with a smile. Taking a deep breath, the stranger continued: "Well, I'd just like to say that you ought to be ashamed of yourself for the hardship and poverty you have caused millions of people in this country." "And the rest of the world," responded Lamont.

But British womanhood likes to see fair play. A fellow passenger tut-tutted. "That's not a widely held opinion," she said.

Canada dry

■ By her own admission, Kim Campbell has little in common with the stereotypical vest-clad Canadian nursing his beer in front of the television. But Canada's cello-playing prime minister is now working hard to shed her image as an aloof and testy intellectual, ahead of the general election which she is expected to call today for October 25.

Campbell has spent the past few weeks putting in appearances at baseball matches, barbecues and even a Highland dancing festival; her impish sense of humour has been much in evidence. She told one group of supporters that she has had difficulty since the G7 meeting in Tokyo last July fitting the prime ministerial bottom into the prime ministerial skirt.

The question is whether such *bons mots* will be enough to swing voters behind her Conservative party in the election.

The Liberals' leader, Jean Chretien, 60, has followed Campbell's lead in putting style above substance. Stung by criticism that he is yesterday's man after 30 years in politics, Chretien made sure photographers were on hand recently to record him churning up the waves on a single water-ski.

Splinter group

■ The young people who occupy British academic towns in the summer in order to learn English are now homeward bound. As the season draws to a close, the EFL Gazette, a teachers' newspaper, announces the winner of its Last of the Summer Whine Award. It goes to the student making the most original complaint about his or her stay in the UK.

The winner this year, a Swede, sets new surreal standards. She asked to be moved from a Bristol family because they gave her a wardrobe that smelled of wood.

FINANCIAL TIMES
Wednesday September 8 1993

Rexrodt gives cautious welcome to west German GDP recovery

By Quentin Peel in Bonn

THE German economy's downward slide appears to have bottomed out, with the latest figures for west German gross domestic product showing a 0.5 per cent recovery in the second quarter.

While the year-on-year figure still shows a decline of 1.9 per cent in GDP compared with the same period in 1992, the 0.5 per cent quarter-on-quarter advance is the first sign of recovery after four periods of negative or zero growth.

The figure, released by the economics ministry yesterday, comes on top of industrial order figures for German manufacturing industry published on Monday, which showed a 3 per cent recovery in July compared with June, reflecting primarily a 4.5 per cent pick-up in domestic orders.

The latest statistics were greeted with cautious optimism yesterday by Mr Günter Rexrodt, economics minister, although he admitted it was "premature to interpret the recent slight upward movement as a clear signal that we have reached an economic turning point.

"It shows that the first rays of light indicating the end of the recession are now unmistakable," he said.

Year-on-year, the figures published by the federal statistics office in Wiesbaden still show some dramatic declines in economic activity. In constant prices, capital investment was down 17 per cent in the second quarter, compared with the same period in 1992, and exports of goods and services fell by 8.3 per cent. In contrast, construction investment advanced by 1.6 per cent in constant prices.

Mr Rexrodt said caution was still necessary because of the unchecked decline of both private sector investment and exports. But he referred to the improved business mood, lower interest rates, the clear slowdown in the rise of unit labour costs and the recovery in industrial orders as signs of "at least a stabilisation of economic activity" and reason to expect a gradual recovery.

He warned that the stabilisation would not mean an immediate slowdown in unemployment growth. Unemployment in west Germany reached 7.5 per cent, or 2.3m, in July.

The latest figures provided welcome relief for the German government to coincide with the first reading of the 1994 budget in the Bundestag, the lower house of parliament, yesterday. Mr Theo Waigel, finance minister, launched a strong defence of his plans for spending cuts of more than DM20bn ($12bn), to be made in the DM478.4bn budget.

He said that without strict savings and consolidation the government would have become unable to defend itself either nationally or internationally. He pointed to the D-Mark's strengthening since midsummer as a sign of international confidence in German fiscal and monetary policy.

The budget savings, which hit social spending most directly, were bitterly attacked by the opposition Social Democrats, as an onslaught on the poorest in German society.

Failure to create jobs fuels consensus for change among member states

EC backing for lower-cost workplace

By Lionel Barber and David Gardnerin Brussels

EC MEMBER states are rallying behind the banner of labour market deregulation, including more flexible working hours and lower costs for employers, as the recipe for restoring growth and halting Europe's decline in competitiveness.

A consensus in favour of change has emerged in working papers sent to the European Commission in Brussels, although member states remain wary of backing measures that might be interpreted as dismantling Europe's generous welfare state provisions.

The competitiveness debate inside the EC has gathered pace amid growing concern about Europe's failure to create jobs and the rising level of unemployment. It has been given an added piquancy by a concerted effort from the UK government to woo German support for a post-Maastricht agenda for the EC.

Mr David Heathcoat-Amory, British minister for European affairs, yesterday called for an end to "dreaming about a single [European] currency" and more attention to the pressing issue of competitiveness. He also launched a fierce attack on the use of EC "structural funds", which he suggested created "a culture of dependency" among poorer states.

In a speech to the European Policy Forum in London, the British minister's call for more scrutiny of the EC budget and less interference from Brussels appeared to be a calculated effort to play on latent German resentment at being the paymaster of Europe and its desire for more "subsidiarity".

Mr Heathcoat-Amory said structural funds, which account for a third of the present Ecu67bn ($77bn) annual EC budget, had siphoned money to poorer regions in the Community; but they had also had a negative impact. They might have contributed to Portugal's rise in inflation and balance-of-payments difficulties in the 1980s, through increased imports.

He added: "Greece has yet to show corresponding macro-economic benefits in terms of GDP growth from structural funds; if anything, the gap between it and the Community is growing."

The minister's speech also attacked Mr Jacques Delors, who, as European Commission president, offered initial ideas on boosting European competitiveness to the EC summit last June. In spite of a good diagnosis, "it prescribed medicines which were a mixture of the expensive, the unoriginal and the inadequate".

In his paper, Mr Delors favoured new spending on research and development, better training, a lifting of restrictions on private employment agencies and a more concerted effort to reach the economic convergence necessary for European monetary union. He is to develop those ideas in a December white paper.

In other working papers, Denmark is calling for more flexible labour markets, "without sacrificing the social protection of the citizen", including the Maastricht treaty's social dimension.

Piëch says Volkswagen is a 'duck grown too fat to fly'

By Christopher Parkes in Frankfurt

VOLKSWAGEN, Europe's biggest volume carmaker, is a duck that has grown too fat to fly, according to chairman, Mr Ferdinand Piëch.

But it has sprouted a new feather – a DM12m ($7.2m) group profit in July – and more are growing all the time, he told the Financial Times yesterday.

All the profit, compared with a DM1.6bn loss in the first half of the year, stemmed from improvements at the German parent company, where Mr Piëch and his production director, Mr José Ignacio López de Arriortúa, have focused most of their efforts.

The workforce had responded with stunning enthusiasm to the implementation of a refined continuous improvement programme, Mr Piëch said. Productivity targets for this year in German plants had been achieved in only six months.

But Seat, the Spanish subsidiary, is one of the main causes of Mr Piëch's recent retreat from confident forecasts of the group's breaking even this year.

He limited his forecasts to a promise that the parent company, which earned a net DM447m last year compared with group earnings of DM147m, would show a profit for 1993.

Seat is believed to be heading for a deficit of about DM1bn after a loss of DM180m last year. The company has said it wants to trade its Pamplona plant, which manufactures VW-brand Polo cars, and its financial services division in return for a life-saving cash injection from the parent.

Mr Piëch, however, appeared unenthusiastic about the idea, or at least about the way Seat had aired its plan in public. "They have to offer it to me first" he said.

A special audit of the subsidiary's accounts is understood to be currently under way.

Mr Juan Antonio Díaz Alvarez, Seat chairman, blamed his company's plight mainly on the slide in the peseta's value in the past 12 months from Pta62 to the D-Mark to Pta83.

Investments in Spain of almost DM6bn had been financed in US dollars and D-Marks, he said. Meanwhile, car sales were improving month by month, and the new plant at Martorell, burdened by start-up costs, was building up to full capacity, he added.

Frankfurt Motor Show, Page 18

Former Soviet republics bow on rouble

Continued from Page 1

hyper-inflation, would sign any such pact in the near future.

A third option is for a slow-track economic union, which makes no mention of a common currency and allows a 10-year-period for its construction. It has already been approved by most commonwealth republics as the bare minimum of what they hope to achieve.

Mr Fyodorov also said Russia was not relying on any new foreign finance before the end of the year. His announcement follows indications that the IMF will not be disbursing new credits Russia had hoped to receive this autumn. He estimated roughly that Russian central bank reserves came to $6bn, another $10bn was held in Russian banks, with another $3bn-$4bn circulating as cash.

THE LEX COLUMN

Upwardly mobile

Cellular phones may not have reached the sans culottes yet, but One-2-One looks like a natural for Essex man. Whatever Mercury's protestations that the service is aimed at BT's mass market, the natural locus of users is the small business or sole trader and higher end domestic customer who would value mobility. The clear publicity coup of free local calls in off-peak periods will grab headlines and doubtless fire the aspirant imagination. It may also ease the pain of forking out around £300 for a handset, though even that may not be much of a barrier, given the large sums spent on other domestic gizmos.

While the target group and pricing will help expand the telecoms market, One-2-One will hurt other operators. Despite the smoke thrown up by Vodafone and Cellnet to confuse price perceptions, existing cellular tariffs will be increasingly seen as excessive. The best tactic may be to cede market share to the new entrant as long as the loss of customers is not too great. Yet lower margins will come. What is less certain is whether Vodafone or Cellnet can expand their markets fast enough to compensate for the fall. If they cannot, current valuations look high, whatever AT&T may have paid for McCaw.

BT cannot entirely ignore the threat either. The two trends in telecoms – more cable and multimedia in fixed links and increasing mobility for voice – are both attractive to BT's wealthier customers. BT thus faces a competitive challenge to its best prospects. Since it is currently banned from cable, it had better make the most of mobile. Yet Cellnet has always been a laggard. It may be time for BT to get a better grip.

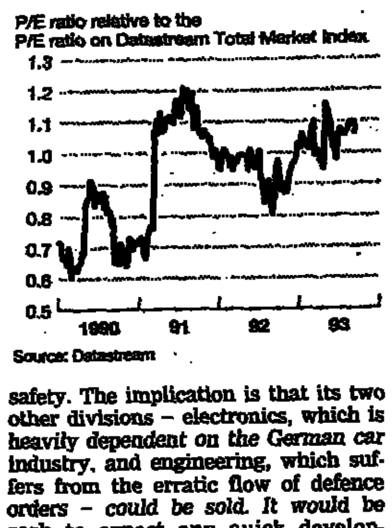
Williams Holdings

Ever since the failure of its bid for Racal, Williams has been bereft of direction. A low share rating has curbed its acquisitive inclinations and the company seemed in any case uncertain of its ability to clinch a large deal at the right price. Instead it has kept its head down in the hope of raising its rating with a spot of organic growth. Yesterday's interim figures were not good enough to meet this aim. Underlying cash-flow has improved, but operating profits were up less then 8 per cent and gearing is 58 per cent.

Now Williams aims to improve its image further by focusing on building and consumer products, and fire and

FT-SE Index: 3038.6 (-20.4)

Williams Holdings



Source: Datastream

safety. The implication is that its two other divisions – electronics, which is heavily dependent on the German car industry, and engineering, which suffers from the erratic flow of defence orders – could be sold. It would be rash to expect any quick developments, but such disposals could eventually create leeway for a large acquisition which would not have to be financed by expensive equity.

The question is whether this would be an appropriate course. Williams has cleaned up its accounts. It has no reason to make a special virtue of this, though, and the absence of provisions on its new bolt-on acquisitions simply underlines how remote are the old buccaneering days. If it really wants to restore its rating, it also needs to demonstrate that it can use the economic recovery to generate sufficient cash to reduce gearing. That will take time. At least patience is rewarded by a yield approaching 5 per cent.

Hillsdown Holdings

After running around like a headless chicken buying businesses in the 1980s, Hillsdown is now restoring some sanity to its sprawling empire. Its management is proving brutally effective in knocking the business into shape. Although trading profits remained static in the first half at £81m, Hillsdown squeezed £50m more cash from its operations. Over the past year, it has chopped £400m of low-margin commodity sales.

Much remains to be done while complaints about Hillsdown's exposure to cyclical businesses remain as valid as ever. With refreshing candour, Hillsdown admits it does not have much choice about its current strategy of simply improving what it has got. Gearing of 42 per cent precludes any big moves into higher value-added areas. It would be hard to get a rights issue away, while the poor performance of Premier Brands hardly inspires confidence that Hillsdown is the best of brand managers anyway.

For the moment, investors will have to content themselves with the secure dividend: Hillsdown remains the fifth highest yielding stock in the FT-SE 350 despite its shares rising from 74p to 172p since last September. At some point, attention must switch to earnings prospects. A multiple currently matching that of Unilever either suggests the market is being wildly optimistic about Hillsdown's recovery or – more probably – that it is unduly glum about the Anglo-Dutch giant.

Fisons

Having repaired relations with the US authorities and restored the balance sheet to health, Fisons' new management must somehow deliver earnings growth. Much depends on the recent US launch of Tilade, its new asthma drug. A joint marketing agreement with Rhône-Poulenc Rorer might avoid the kind of disappointing launches seen elsewhere. But with Intal, the old faithful, losing patent protection next year and a pipeline short on promise, nothing less than an unqualified success will do.

In the meantime, scientific equipment, which accounts for half of sales, is suffering. The low-margin business supplying laboratory equipment continues to plod along. But manufacturing high-value scientific instruments has turned out to be highly cyclical. Despite the competitive gain from devaluation, that division is trading at a loss. Margins will remain depressed until customers feel confident about ordering expensive capital equipment. Buying VG Instruments on a multiple of around 20 times near-peak earnings in 1989 – funded with a rights issue at 211p – must be counted a serious error.

Robbed of rising cash flow from instruments, and facing heavy capital expenditure commitments, Fisons is being squeezed. Disposals have helped relieve the pressure on cash flow. But with only the UK and European horticultural businesses still to go – and no sign of a buyer – cash from that direction can not be relied upon. All the more reason to hope that the US launch of Tilade is a success.

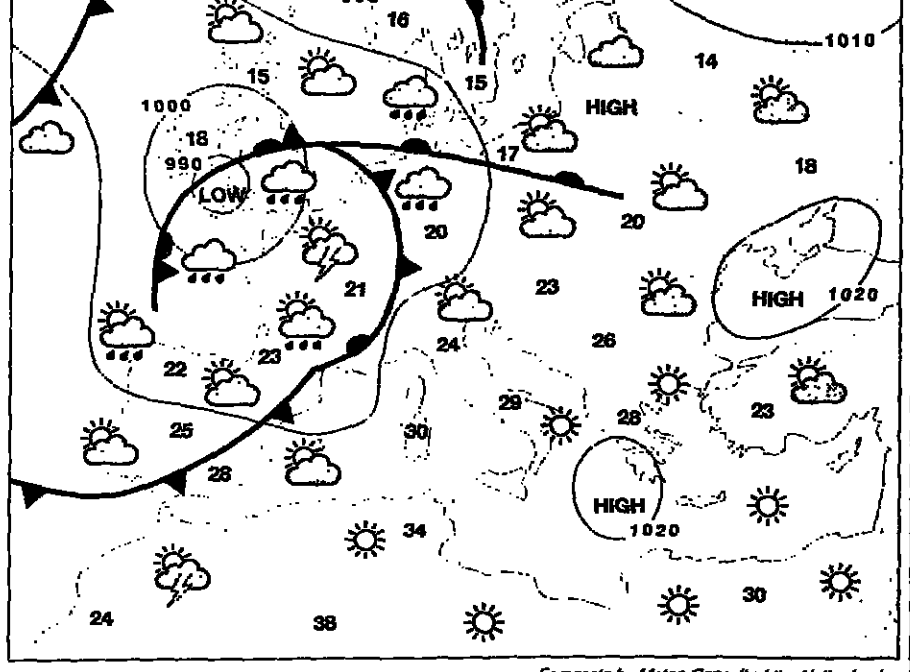
FT WORLD WEATHER

Europe today

A storm centre south-west of the UK will influence much of western Europe. Rain will move north and east across the UK, the Low Countries and northern Germany. Brisk easterly breezes will strengthen to gale force over the northern North Sea. In the wake of the rain, winds from the south will bring temperatures above 20C. Weaker lows in the extreme north of Europe will produce cloud and rain in Scandinavia and Russia. Central and southern Europe will remain warm and humid. Sunny intervals will occur, but a few scattered showers or thunder storms are also expected. Most parts of south-east Europe will continue sunny and warm.

Five-day forecast

A low pressure area will weaken as it moves slowly north reaching the vicinity of Scotland on Saturday. Until then, brisk southerly breezes will draw warmer but also unstable air towards the north accompanied by occasional showers and thunder storms. Sunny intervals will bring temperatures up to 18-23C in the north and 27-32C in Mediterranean countries. A new series of low pressure areas will bring more rain into western Europe over the weekend.



Forecasts by Meteo Consult of the Netherlands

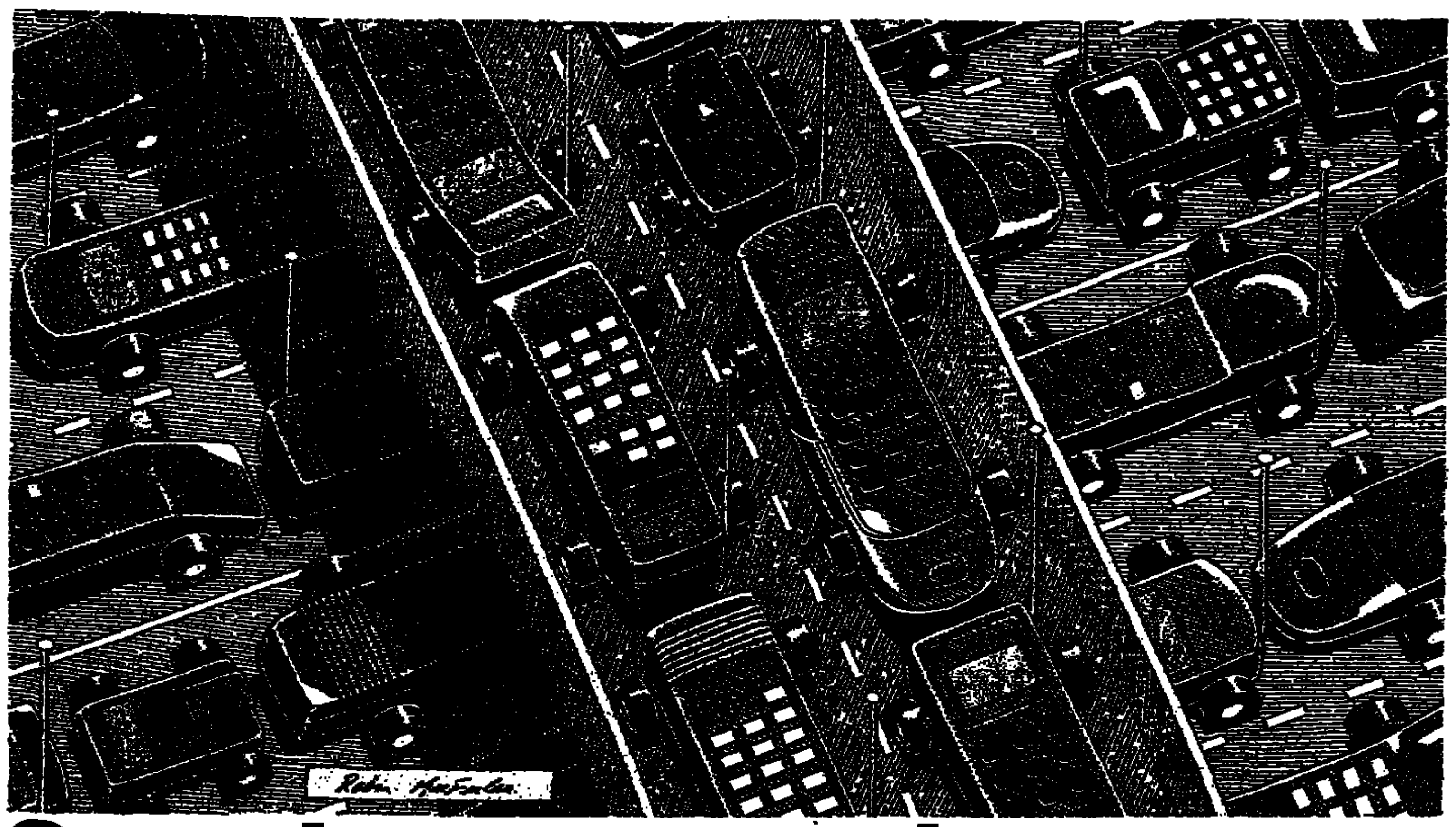
TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	39
Accra	thund	29
Algiers	sun	34
Amsterdam	shower	21
Athens	sun	29
B. Aires	shower	12
B.ham	shower	19
Bangkok	rain	34
Barcelona	sun	28
Beijing	fair	28
Belfast	shower	18
Belgrade	sun	29
Berlin	fair	20
Bermuda	sun	31
Bogota	fair	17
Bombay	shower	31
Brussels	fair	23
Budapest	sun	24
C.hagen	fair	17
Cairo	sun	31
Cape Town	sun	19
Caracas	fair	27
Cardiff	shower	19
Chicago	fair	23
Cologne	thund	23
D' Salaam	fair	29
Dakar	sun	30
Dallas	thund	35
Delhi	sun	32
Dubai	sun	40
Dublin	rain	16
Dubrovnik	sun	26
Edinburgh	cloudy	14
Faro	fair	25
Frankfurt	thund	23
Geneva	thund	22
Gibraltar	fair	28
Glasgow	fair	17
Hamburg	rain	20
Helsinki	fair	13
Hong Kong	fair	31
Honolulu	fair	29
Istanbul	sun	24
Jersey	windy	20
Karachi	clear	31
Kuwait	sun	44
L. Angeles	fair	31
Las Palmas	sun	27
Lima	sun	19
Lisbon	fair	23
London	thund	21
Lux.bourg	thund	21
Lyon	thund	24
Madeira	shower	26
Madrid	fair	25
Majorca	sun	30
Malta	sun	31
Manchester	rain	20
Manila	shower	28
Melbourne	shower	15
Mexico City	hazy	23
Miami	fair	32
Milan	thund	23
Montreal	shower	20
Moscow	rain	11
Munich	shower	22
Nairobi	fair	23
Naples	sun	29
Nassau	shower	32
New York	rain	25
Nice	sun	25
Nicosia	sun	29
Oslo	fair	17
Paris	fair	23
Perth	fair	23
Prague	fair	20
Rangoon	cloudy	27
Reykjavik	cloudy	11
Rio	sun	21
Riyadh	sun	40
Rome	sun	29
S. Frsco	sun	25
Seoul	fair	28
Singapore	cloudy	28
Stockholm	fair	14
Strasbourg	thund	22
Sydney	sun	25
Tangier	fair	25
Tel Aviv	sun	30
Tokyo	rain	27
Toronto	fair	21
Tunis	sun	34
Vancouver	sun	23
Venice	fair	24
Vienna	sun	23
Warsaw	fair	19
Washington	fair	27
Wellington	fair	11
Winnipeg	fair	18
Zurich	fair	21

FINANCIAL TIMES SURVEY

MOBILE COMMUNICATIONS

Wednesday September 8 1993



Seamless networks on way

Andrew Adonis looks at the latest milestone in the industry and foresees the emergence of an integrated marketplace

The mobile communications industry is racing ahead so fast, the milestones are out of sight almost as soon as they are passed. Few doubt, however, that last month's $12bn-plus takeover of McCaw *Communications* by the US giant American Telephone & Telegraph marks a decisive turning point, giving a huge impetus to the development of cellular telecommunications and their integration with fixed-wire networks.

AT&T paid dearly for McCaw, too dearly in the view of many commentators, given that McCaw is still loss-making and loaded with nearly $5bn of debt. There are also regulatory hurdles to be overcome: the regional Bell operators claim that the takeover breaches the 1984 ruling which forced AT&T out of the "local loop", and will allow the long-distance and international operator to re-enter it by the cellular back door.

If their arguments before the courts and the Federal Communications Commission come to anything, AT&T will have some hard explaining to do to its shareholders. The balance of opinion, though, is that Mr Robert Allen, AT&T's chairman, will carry the day with his protestation that he is "not interested in re-entering the local telephone business". In any case, the 1984 settlement is under increasing assault: the ban on the "Baby Bells" offering cable television in their telephone service areas may not survive for much longer, and if that goes, the rest of the artificial regulatory edifice will be in danger of collapse.

Assuming, then, that AT&T is able to keep and exploit its spoils, where will it go?

Dismiss crude ideas that AT&T – or mobile operators almost anywhere else in the world – will engage in head-on competition with local fixed-wire networks. The economics make nonsense of that idea for the foreseeable future, even allowing for a decline in cellular charges with rising volumes and rapidly falling costs for infrastructure and terminals. Local fixed-wire tariffs are set to increase in real terms, as further rebalancing of local against long-distance and international tariffs takes place, but the differential will remain stark.

Wire-less communications will complement, not replace, the fixed wire: integration, not supersession, is the watchword. For users, the next few years will offer improved quality, seamless services covering fixed and mobile networks, and a range of new services for carrying voice and data, albeit shrouded in acronyms like DECT, ISDN, GSM, MCN, PCN and CT2 (and they are just the raw essentials).

There is also the prospect of lower tariffs, but not as low or as soon as all that. Over the past year low-user packages have reached most markets, but what they offer by way of reduced subscription and access charges they take away by making the phones prohibitively expensive for the owner to make outgoing calls. Indeed, the new generation of digital cordless phones is pushing cellular prices sharply *upwards*. In the UK the first digital cellular phones will retail for about between £250 and £400, several times the cost of a (far lighter) handset for the existing analogue networks.

For operators, the challenge is threefold. First, to exploit the potential of their existing businesses more effectively than hitherto, in particular by tapping the consumer market. Second, to build new markets by acquiring domestic and overseas licences for new services, an ever-smaller proportion of which are being awarded on the nod to established state operators. Even in countries fiercely committed to defending their public telephone operator monopolies for fixed-wire services, overseas operators are being encouraged to provide mobile services, typically by licensing a second competitor to the PTO for new services.

The third challenge is integration: to enhance the complementarity of wire-less and wire-line services by improving the interface between them in terms of technology, marketing and the provision of value-added services such as personal numbering. It is in this third field that AT&T is in a position to add most value, marketing "one-stop" packages and developing new interconnections with its long-distance network.

"The seamless North American cellular network is becoming a reality," says Mr Robert Morris, telecommunications analyst at Goldman Sachs. The introduction of the IS-41 switching interface standard means that markets across the US are being inter-connected for automatic call delivery. The roll-out of digital technology is also progressing, despite continuing debate between two different technology standards.

Analysys, the Cambridge-based consultancy in the UK, argues in a recent report that the next three years will see operators jostling for position "in the emerging integrated marketplace". In the US, AT&T may lead the way. By contrast, in Europe Analysys believes mobile network operators and new competitors to existing PTOs are likely to do so, because of the regulatory difficulties for Europe's PTOs in establishing themselves in the mobile market and the technological difficulties of providing next-generation services without a mobile network.

If successful in the US, AT&T will boost a market that is already experiencing phenomenal growth. Since 1984, the US cellular market has grown from about 1m to 12m subscribers. It expanded by a further 627,000 in the first quarter of this year alone, compared with 481,700 in the same period in 1992. Economic and Management Consultants International, a Washington consultancy, projects 17.7m subscribers by the end of 1995 and 25m by the end of 1996.

The pattern is similar in western Europe, although outside Scandinavia it is rising from a comparatively lower base. According to the FT's Mobile Communications newsletter, the subscriber base has risen by a third in the last year, with 7m at July 1. CIT Research, the London consultancy, projects nearly 12m subscribers by the end of 1996 and 19.1m by the year 2000.

The Asia-Pacific region is also undergoing a mobile boom – the number of cellular subscribers in the region's 12 largest markets in the region grew by 50 per cent from 2.7m to 4m last year, and this year's growth rate is again expected to outstrip that of Europe and the US. The mobile take-off is not just in cellular: paging and telepoint technologies are advancing at an extraordinary rate in the region, spurred on by the almost insatiable demand from city-based private consumers for affordable personal communications. Hong Kong alone has more than 700,000 paging subscribers, matching the tally for the whole of the UK.

Eastern Europe is the region for which it is most difficult to project growth. The recent auctioning by the Hungarian government of licences to build a new digital cellular network led to a battle royal between consortia led by the German and Nordic PTOs respectively. National cellular and paging services are also set to come on stream in Bulgaria, Poland and the Czech republic.

Beyond that, however, the funding of new mobile ventures for any but the wealthiest of western businesses in large cities is problematic. Deutsche Telecom is anxious to establish itself, but is not awash with cash given constraints at home: some private operators, notably US West, have made strides east, but as many again are distinctly wary of following. Says Mr Gerry Whent, chief executive of Vodafone, the UK private mobile operator which bid unsuccessfully for the Hungarian

Continued on next page

IN THIS SURVEY

Editorial production
Gabriel Bowman

Andrew Adonis looks at the likely impact of the new GSM networks

For once, Europe is ahead of the US game

GSM stands for Groupe Speciale *Mobile*, a pan-European digital telecommunications standard *for a new generation of cellular* services across the continent compatible with each other.

The first GSM networks were launched last July in Germany, France and Denmark. *Vodafone launched* its UK GSM service, called "EuroDigital", on September 1. *GSM services have recently* – or will soon – come on stream in the other leading west European states, and *eastern* Europe is following behind. Dataquest, the consultancy company, *is forecasting* 1m GSM subscribers in western Europe by the end of this year, *growing to* 13m by *the* end of 1997.

GSM networks are not going *to* replace existing *analogue* services overnight. GSM requires new infrastructure and *different, digital handsets.* That leaves analogue operators, including those constructing GSM networks, with investments to recoup and capacity to fill. It also *leaves their subscribers with* terminals useless for digital networks. With GSM handsets retailing for around £400 in the UK – after a subsidy of more than £100 from the operators – analogue handsets selling for a quarter of the price will retain a strong attraction.

Dataquest projects that shipments of GSM telephones will overtake analogue shipments by next year; and that by the end of 1997 analogue will have barely half as many subscribers as GSM.

"The speed of the transition will be variable," says Mr Dean Eyres, Dataquest's mobile analyst. "It will be fastest in countries like Germany, where analogue penetration was *lower and competition between* GSM operators is already strong." With digital barely off the ground in the UK, Germany already has nearly 500,000 GSM subscribers, and *for most German users GSM is* more accessible than analogue.

The old and new are *therefore set to co-exist until at* least the turn of the century. Indeed, some operators are *deliberately delaying their* GSM offerings so as to maximise the potential of existing networks. *In the UK,* Cellnet is still looking to double its analogue subscriber *base and will not be launching* its GSM service until next year. Its strategy over the coming months is to combat Mercury One-2-One and Vodafone's two digital services with *special analogue deals*, playing hard on its lower all-in entry fee.

It is not just a question of existing capacity. Mr Stafford Taylor, Cellnet's managing director, points to rapidly falling GSM handset and infrastructure prices, and more versatile base stations appearing by the month.

Some operators are deliberately delaying to maximise the potential of existing networks

Motorola, for instance, has just launched a base station ("ExCell") about twice the size of a street cabinet, requiring none of the separate buildings and protective fencing of its predecessors. Mr Taylor is gambling that delayed digital gratification will bring higher short and medium-term dividends.

GSM operators in western Europe

Country	Number of licences*	Operator(s)
Austria	1	PTO
Belgium	1	PTO (with Pacific Telesis)
Denmark	2	(1) PTO (2) Dansk Mobiltelefon (GN Great Nordic†)
Finland	2	(1) PTO (2) Radiolinja
France	2	(1) PTO (2) Société Française de Radio Téléphone (Compagnie Général des Eaux†)
Germany	2	(1) PTO (2) Mannesmann Mobilfunk†
Greece	2	(1) Panafon (Vodafone†) (2) Stet
Ireland	1	PTO
Italy	2‡	(1) PTO (SIP)
Netherlands	2‡	(1) PTO
Norway	2	(1) PTO (2) Netcom (Orkla†)
Portugal	2	(1) State operators (2) Telecel
Spain	1	PTO
Sweden	3	(1) PTO (2) NordicTel (Pacific Telesis†) (3) Comvik
Switzerland	1	PTO
Turkey	2	(1) Consortium incl. Finnish Telecom and Ericsson (2) Consortium incl. Alcatel, Siemens and Datacom
UK	2	(1) Cellnet (British Telecom†) (2) Vodafone

*As announced or in prospect. ‡Second licence is likely, though not yet announced †Largest stakeholder

Source: Dataquest

Nor will it be a *straightforward one-way* migration from analogue to GSM. Operators are piggy-backing "local" digital services, with lower access and call charges, on their 900MHz GSM networks. In the UK Vodafone's is called "MetroDigital" and will be *launched* on October 1.

Digital networks operating to the higher 1800MHz frequency are also being built. The launch of UK Mercury One-2-One's PCN service is imminent, and Hutchison is constructing another. In Germany the E-Plus consortium – which includes Thyssen, Veba, BellSouth and Vodafone – is also building a DCS 1800 network. In some countries far cheaper telepoint services, offering one-way communication, are advancing too. Hutchison's "Rabbit" service has so far had only limited success in the UK, but in Benelux *and France similar* services have fared better – though partly because of the inadequacy *of the cellular* network, particularly in Paris.

GSM is thus only one of a number of new or revamped mobile services entering the market. It nonetheless has a critical role to play – not only because of its technological features, but because of the mode of its introduction, which is helping to reorganise not just the cellular market, but the configuration of the telecommunications services industry across Europe.

Moreover, for once Europe is ahead of the American game in mobile. The US is still engaged in a dispute between operators over two rival digital standards – time division multiple access (TDMA) and code-division multiple access (CDMA) – which is threatening to delay the widespread introduction of *digital systems.*

GSM's principal technological assets are fourfold. *Being digital*, its capacity is far higher than that of analogue networks. It comes with a *range* of value-added features. Through "roaming" agreements with other GSM operators, it will in due course give mobility across much of Europe. And with more than 20 *countries* beyond Europe having now adopted the GSM standard, including Australia, *New Zealand and Fiji, it offers* the prospect of cellular mobility well beyond Europe.

Says Mr Robert Morris, telecommunications analyst at Goldman Sachs: "It looks as if we are *going* to end up with one standard for the US, and GSM for the rest of the world" *– a fortuitous development for* Europe's GSM users, who can expect to benefit from cheaper *infrastructure and development* costs in consequence.

Most GSM operators now *have roaming agreements with* counterparts across Europe, allowing GSM subscribers to *make calls in any country with* a GSM network simply by

Europe's cellular phone users will have a choice of network and operator for the first time

inserting their personal smartcard into a digital handset.

Of the wide range of value-added services available with GSM, probably the most widely appreciated will be the short message facility, allowing handsets fitted with liquid crystal screens to receive messages, like alphanumeric radiopagers. In the longer term the mobile data facility incorporated within the GSM standard will permit mobile terminals, such *as portable computers and fax* machines, to communicate through handsets at speeds *comparable to today's fixed* data lines.

However, arguably the most *novel and far-reaching feature* of GSM is that for the first time it is providing most of Europe's cellular phone users with a choice – choice of network and choice of operator.

In the UK and US, analogue networks were provided by rival operators. In most of Europe, however, the state-owned PTO provides the service, with no rival licensed and few immediate incentives for the PTO to maximise its subscriber base.

By contrast, GSM licences are generally being offered to two competing operators (see table). Typically one of them is the PTO, but the cellular activities of the PTO are increasingly being moved into separate divisions and encouraged to compete aggressively. Belgacom, Belgium's state operator, *has gone the farthest of all* the monopolies, hiving off its GSM operation and inviting Pacific *Telesis, one of the top five US* cellular companies, to join it as a minority partner in the project.

The reasons for this change of policy are not hard to find, although rarely stated explicitly. Most of Europe's PTOs are anxious for privatisation and greater operational flexibility. Separating out their mobile divisions, and allowing them to bid for overseas licences and to work with private sector partners, is good preparation.

As for governments, which award the GSM licences, licensing rival GSM operators is a measured first step towards wider telecommunications liberalisation. Under a recent European Community agreement, full competition must be permitted in most of the fixed-wire voice market by 1998.

It is also turning into a

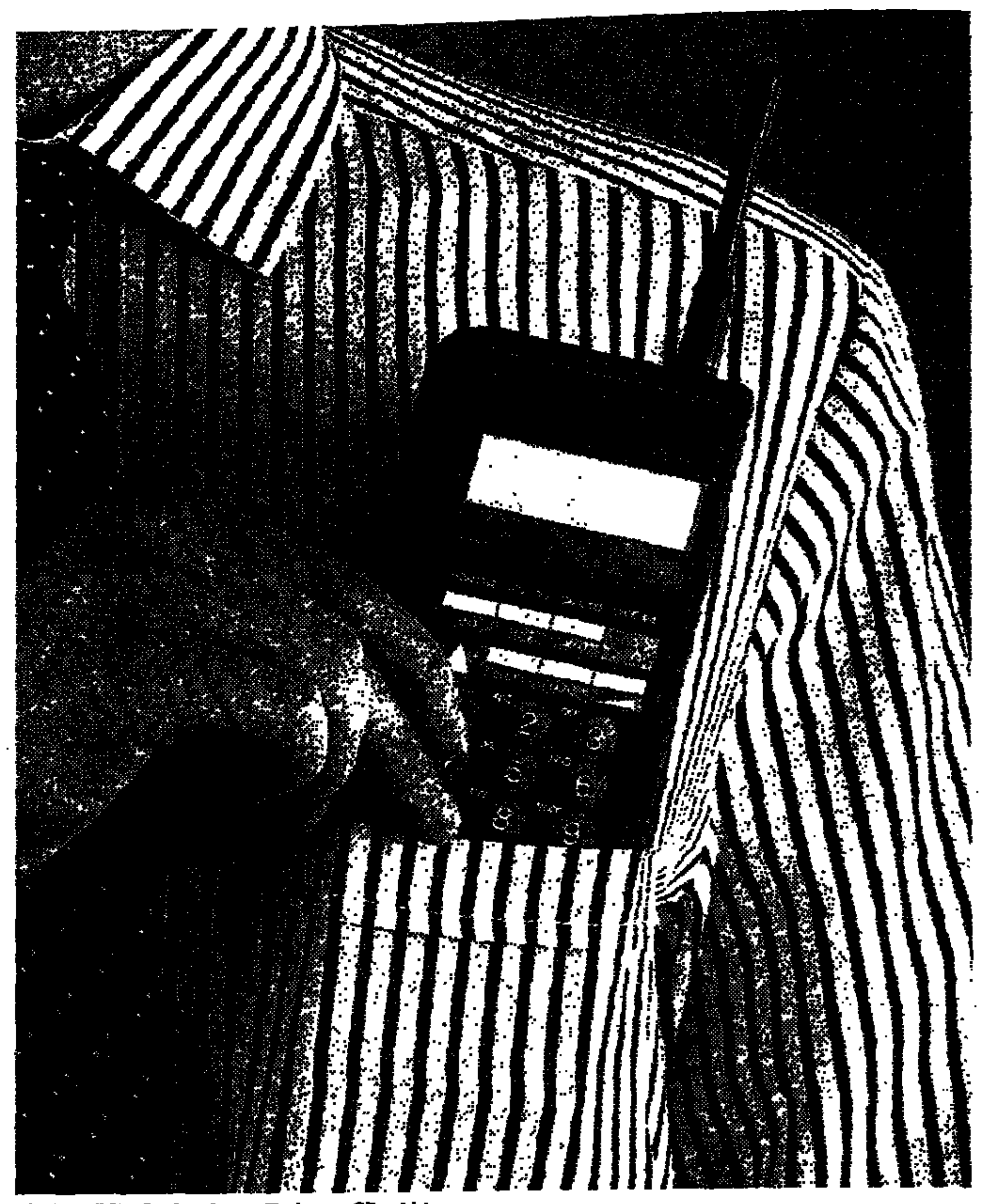
Full competition is turning into a useful and lucrative source of government revenue.

useful, and increasingly lucrative, source of government revenue. The policy of giving licences away to companies in return for commitments to build within a pre-determined timescale, and in some cases also to keep tariffs within set bounds, is giving way in poorer countries to a straight auction.

Poland led the way two years ago, extracting about $100m from France Telecom and Ameritech of the US for their cellular licence. Greece turned the auction into an art form last year, when it got $164m each from two consortia for their GSM licences. Following the Greek model, the Hungarian government last month *succeeded in pocketing nearly* $100m in return for its licences.

According to the FT's Mobile Communications newsletter, the Greek auction netted $16 per head of population; Poland $2-$3; the Hungarians nearer $5.

That may be good news for southern and eastern Europe's hard-pressed taxpayers. But if it becomes the norm, then those heralding cellular as the means to meet the telecommunications needs of impoverished communities will have to find a new tune.



The Excell M2 Pocketphone: fits in any City shirt

Seamless networks on way

Continued from previous page

licence: "It's all too difficult and bureaucratic. Quite frankly, eastern Europe is not in our portfolio; we don't think they are ready for capitalism yet."

Europe, like the US, is moving towards a seamless cellular system with the building of digital networks to the pan-European GSM standard. All the leading European Community states apart from Spain now have them in operation, although in some coverage is still patchy. In most countries two competitors have been licensed, a significant change in *policy from the first* generation of cellular analogue networks, which were mostly *provided by the state* telecommunications monopoly.

With two competing *analogue networks, the UK* was a notable exception to the European pattern from the *outset. The former state* monopoly operator, British Telecommunications, holds only a 60 per cent stake in Cellnet, the smaller and less profitable of the two. Vodafone is the market leader, and since the McCaw sale it is the world's largest dedicated cellular company. It is expanding fast into western Europe and Asia-Pacific, with a medium-term goal of securing overseas licences covering as large a population as in the UK, adjusting for income.

Moreover, the UK is set to become the first large European market with three serious cellular operators, with the launch of Mercury One-2-One, a digital PCN network operated by a joint venture of Mercury Communications and US West. Initially its coverage will be confined to the M25 area around London, but it plans to expand rapidly beyond.

One-2-One's fate will be an important test of the capacity of competition to bring down prices in the cellular industry. Without the prospect of greater competition, the margins currently achieved by *Vodafone and Cellnet would be* almost indefensible.

Cellnet's revised tariffs, *published last week, offer* substantial discounts to subscribers in the M25 area, a *clear response to One-2-One. If* the reductions continue, pressure for regulation will ease.

Mobile communications is the world of dreams, abundant material for which is contained in later articles. The ultimate dream, perhaps, is of a truly global handheld mobile telephone service. It is still not in prospect, but it has come a step closer with recent financial backing for Motorola's Iridium satellite telecommunications system – described as the world's biggest private sector space project.

Motorola has just launched the MicroTac International 7200, which it claims is the world's lightest GSM digital cellular telephone. Weighing just 215 grams, the MicroTac 7200 is 25 per cent lighter and about 20 per cent smaller than the MicroTac 5000 series GSM cellular telephones launched in March.

Of particular significance is the introduction of SMS (short message service) into Motorola's GSM range, which enables the user to send and receive short data messages.

Features include a four-line, 24 character supertwist display, 100 alphanumeric memory, continuous signal strength and battery level indicator and a call-in absence alert.

Western Europe cellular telephone subscribers

Country	Operator	System	Launch	Subscribers July 1, 1993	Subscribers July 1, 1992	Yearly growth (%)	Penetration July 1,1993‡
Andorra	PTT	NMT-450	Jul 1990	700	240*	191.67	14.00
Austria	PTT	NMT-450	Nov 1984	55,858	61,459	-9.11	25.55
Austria	PTT	TACS-900	Jul 1990	141,156	81,449	73.31	-
Belgium	Belgacom	NMT-450	Apr 1987	62,995	55,814*	12.87	6.40
Cyprus	Cyprus Telecoms	NMT-900	Dec 1988	11,920	7,208	65.37	17.03
Denmark	Tele Denmark Mobil	NMT-450	Jan 1982	46,608	50,281	-7.30	47.03
Denmark	Tele Denmark Mobil	NMT-900	Dec 1986	179,150	143,078	25.21	-
Denmark	Tele Denmark Mobil	GSM	Jul 1992	8,000*	n/a	n/a	-
Denmark	Sonofon†	GSM	Jul 1992	8,000*	n/a	n/a	-
Faroe Islands	PTT	NMT-450	Jan 1989	1,594*	1,489	7.05	35.64
Faroe Islands	PTT	NMT-900	Jun 1992	188*	10	1,780.00	-
Finland	Telecom Finland	NMT-450	Mar 1982	167,739	157,483	6.51	82.56
Finland	Telecom Finland	NMT-900	Dec 1986	231,718	164,719	40.67	-
Finland	Telecom Finland	GSM	Jul 1992	6,500*	n/a	n/a	-
Finland	Radiolinja†	GSM	Jul 1992	6,000*	n/a	n/a	-
France	France Telecom	RC2000	Nov 1985	328,000	316,000	3.80	8.42
France	France Telecom	GSM	Jul 1992	15,000	n/a	n/a	-
France	SFR†	NMT-450	Aug 1989	125,000	99,400	25.75	-
France	SFR†	GSM	Dec 1992	7,000	n/a	n/a	-
Germany	Deutsche Telekom	C-450	Sep 1985	806,512	677,936	18.97	15.60
Germany	Deutsche Telekom	GSM	Jul 1992	190,000	n/a	n/a	-
Germany	Mannesmann†	GSM	Jun 1992	250,000*	n/a	n/a	-
Iceland	PTT	NMT-450	Jul 1986	16,454	13,989	17.62	65.82
Ireland	Eircell	TACS-900	Dec 1985	47,471	37,000	28.30	13.56
Italy	Sip	RTMS	Sep 1985	33,100	57,800	-42.73	15.76
Italy	Sip	TACS-900	Apr 1990	874,200	633,000	38.10	-
Italy	Sip	GSM	Oct 1992	1,200	n/a	n/a	-
Luxembourg	PTT	NMT-450	Jun 1985	873	927	-5.83	2.30
Malta	Telecell†	ETACS	Jul 1990	5,118*	3,557*	43.89	14.62
Netherlands	PTT Telecom	NMT-450	Jan 1985	26,419	26,199	0.84	12.79
Netherlands	PTT Telecom	NMT-900	Jan 1989	164,726	116,041	41.95	-
Norway	Tele-Mobil	NMT-450	Nov 1981	158,872	149,860	6.01	75.64
Norway	Tele-Mobil	NMT-900	Dec 1986	160,476	102,392	56.73	-
Norway	Tele-Mobil	GSM	May 1993	1,354	n/a	n/a	-
Portugal	TMN	C-450	Jan 1989	28,105	19,535	43.87	6.14
Portugal	TMN	GSM	Dec 1992	16,500	n/a	n/a	-
Portugal	Telecel†	GSM	Oct 1992	20,000	n/a	n/a	
Spain	Telefonica	NMT-450	Jun 1982	57,556*	67,038	-14.14	5.71
Spain	Telefonica	TACS-900	Apr 1990	164,844*	81,165	103.10	-
Sweden	Telia	NMT-450	Oct 1981	256,920	247,495	3.81	86.24
Sweden	Telia	NMT-900	Dec 1986	451,788	368,885	22.47	-
Sweden	Telia	GSM	Nov 1992	3,000*	n/a	n/a	-
Sweden	Comvik†	NMT-450	Aug 1981	21,000	21,000#	0.00	
Sweden	Comvik†	GSM	Sep 1992	4,000*	n/a	n/a	-
Sweden	NordicTel†	GSM	Sep 1992	1,500	n/a	n/a	-
Switzerland	PTT Telecom	NMT-900	Sep 1987	240,852	198,404	21.39	36.19
Switzerland	PTT Telecom	GSM	Mar 1993	2,000*	n/a	n/a	-
UK	Cellnet†	TACS-900	Jan 1985	710,300	569,800*	24.66	27.99
UK	Vodafone†	TACS-900	Jan 1985	895,141	731,800	22.32	-
UK	Vodafone†	GSM	Jul 1992	1,450*	n/a	n/a	-
TOTAL				7,014,857	5,262,453	33.30	19.05

* Mobile Communications estimates. † Systems operated by private companies. All other systems are operated by national telecommunications operators. ‡ Figure for each country per 1,000 of population, as at July 1 1993.
# Sales have stopped due to lack of spectrum.

Source: FT Mobile Communications

PERSONAL COMMUNICATIONS NETWORKS

Drive for the mass consumer market

Thanks to BT's new M-Sat mobile satellite telephone service, business people are now able to keep in constant touch with their colleagues even in the remotest part of the world. BT's service covers north and south America, Europe, the Middle East and Africa, and the system will soon be extended worldwide. Lightweight and portable, the satellite phone, which is easy to use, comes packaged in a *briefcase* with the antenna integrated into the lid. According to BT, M-Sat is ideal for rescue services, the exploration industry and even for journalists, since it can function whenever travellers have to communicate from remote areas

TELECOMMUNICATIONS network operators throughout the world will be watching developments in the UK closely this autumn as the first of a new generation of low-cost digital mobile telephone services are launched.

The advent of Personal Communications Network services marks a watershed in the development of high-capacity sophisticated mobile telecommunications using pocket-sized handsets and targeted at domestic customers and small business users.

Their arrival promises customers an expanding choice of feature-rich services and significantly greater competition between cellular network operators.

PCNs – touted by their advocates as the *future* shape of mobile telephony – are a high capacity derivative of the pan-European GSM digital cellular standard employing smaller-sized cells and higher frequencies. Unlike the high powered GSM which was principally designed for use in cars, PCN has been designed from the outset to work with small, lightweight, low-power handsets carried in people's pockets.

The European Telecommunications Standards Institute produced the DCS-1800 PCN specification in 1991. Because PCNs operate at 1800 MHz, double the frequency of GSM, they have a much higher capacity which enables PCN operators to set call charges which are much more directly competitive with the hard-wired networks run by the public telephone operators.

However, the drawback is that using high frequency signals with a relatively short range means that double the number of base stations are required and the cost of building a network to reach 90 per cent of the population is around £1bn.

In the UK, where the PCN concept was born, the government awarded PCN licences to three international consortia at the end of 1989. However, since then forecasts of the number of cellular subscribers by the end of the century have been scaled back, forcing many of the PCN licence participants to reassess their involvement.

As a result, there has been a wave of stake sales and mergers and one of the three original PCN licences has been handed back. The two remaining licences are held by Mercury One-2-One, formally called Mercury Personal Communications, which is a joint venture between Cable & Wireless and US West, and Hutchison Microtel, part of the Hong Kong-based Hutchison Whampoa group.

Hutchison Microtel has been looking for a partner to share the costs of building its PCN service which is due to be launched in April next year. So far, Hutchison is believed to have spent more than £300m developing the service, to be targeted initially at the business and small business sector.

The cost of reaching 90 per cent of the population is around £1bn

Mercury One-2-One was due to be launched in the summer but a number of technical problems emerged during a "Beta" field test of the system so the launch date has been pushed back. Initially the service will be limited to the London area bounded by the M25, but it is due to expand throughout the south-east to reach a quarter of the UK population by the middle of next year.

The big challenge for the new digital network operators will be whether they can broaden the customer base for mobile telephony to reach the mass consumer market. Existing analogue cellular telephone services in the UK and elsewhere, though highly successful, have mostly appealed to business customers because of their relatively high charges.

Recently both Vodafone and Cellnet in the UK have introduced new tariff structures designed to appeal more to low call volume customers. However, these still fall short of offering consumers a realistic alternative to basic "fixed-wire" telephone services for only a modest premium.

Mr Richard Goswell, managing director of Mercury One-2-One, says its research shows that "if you get the prices right the consumer market is definitely interested". Nevertheless, he acknowledges that until handset prices fall from their initial level of £250 to £300, the service is unlikely to reach a mass consumer audience. "There will be lot of sales to small businesses and the consumer market will develop over time," he predicts.

But by the turn of the century he believes PCN handsets will be sold in plastic "blister packs" by high street electrical stores and will provide a real, feature-rich alternative to the domestic hard wired telephone. In the interim he expects PCN handsets to start appearing as a second telephone, providing the additional advantage of mobility.

Mercury has set two standard tariffs, one called BusinessCall targeted at higher volume business customers and the other called PersonalCall for small businesses and low call volume individual customers. Both tariffs offer savings of between 30 and 40 per cent over the equivalent tariffs on Vodafone and Cellnet's existing national analogue tariffs.

In addition to more aggressive pricing, Mercury is betting that it will attract customers to its PCN service by including some sophisticated features, such as an integrated "voice mail" answerphone service, call barring, call divert and call waiting facilities.

Like GSM handsets, PCN telephones are operated using a smartcard which contains customer billing and other information. This means handsets can be shared and customers can make calls from any handset and be billed at home. Links with GSM networks will allow the smartcard to be used in any other country which has GSM or PCN.

However Mr Goswell emphasises: "There is nothing magical about PCN." It is an approach to marketing rather than the technology which makes it different, he says.

One of the prime motivations of the UK government in licensing PCN operators was to promote competition. Vodafone and Cellnet have both cut tariffs inside the M25 to counter the impact of Mercury One-2-One. Vodafone will also be launching its own version of a digital personal communications service called MetroDigital early next month.

MetroDigital, a microcellular regional cellular service previously called MCN, is based on Vodafone's existing EuroDigital GSM network and will provide a low-cost urban-based service, initially in south-east England.

Like PCNs, the service is aimed at consumers and small businesses. But unlike PCNs, it will operate at the same 900MHz frequency as GSM and will use the same handsets as the GSM network which are expected to cost around £400 initially.

MetroDigital's pricing structure emphasises the "local" nature of the service. Local calls will cost 20p and national calls 25p a minute, but MetroDigital subscribers who make calls from rural areas via the GSM network will have to pay a punitive rate of 65p a minute. All calls off-peak will cost just 10p a minute.

The "not invented here" syndrome is blamed for the lack of progress in France

By the end of next year Vodafone plans to cover all towns with a population of 50,000 or more and in the interim MetroDigital customers will be able to receive calls anywhere in the UK covered by Vodafone's GSM service.

Additional competition, at least in the business and corporate markets, could come from low cost regional varieties of GSM itself. Cellnet plans to introduce what it calls Local System for Mobile communications (LSM) regional services in January next year, ahead of the launch of its national GSM network. The LSM service will be available in an extended London region, as well as Leeds, Birmingham and Manchester.

In Europe, only Germany has followed Britain's lead and licensed a national PCN operator. The E-Plus consortium plans to launch its PCN service in Berlin and Leipzig early next year. However, PCNs are also being studied in Spain, Italy throughout Scandinavia and in Switzerland. But PCN has stalled in France – blamed by some on the "not invented here" syndrome. Outside Europe, Thailand has licensed a PCN and Australia is in the middle of consultations.

However in the world's largest mobile telephony market, the US, where PCN services are known as Personal Communications Services, their introduction is still dogged by debate and the lack of any agreed standards. The Federal Communications Commission has issued over 150 licences for experimental PCS systems – often using different and incompatible technologies.

The complicated regulatory process in the US and a wrangle over radio spectrum threaten to delay the introduction of commercial PCSs until the second half of the decade – a delay which analysts say could cost the US economy billions of dollars and would leave the US trailing Europe and the UK in particular.

Over the next few months British consumers will have the first opportunity to pass judgment on the PCN concept and whether it does indeed point the way towards mass mobile telecommunications.

Mercury One-2-One's Mr Goswell says: "I believe there is the opportunity in the UK to turn this market into something much larger than it has been." He argues that consumers are willing to pay a premium for mobility or "extended cordlessness" but not as much as has been demanded to date.

Paul Taylor

Paul Taylor considers the prospects for a market that has so far failed to live up to expectations

Time may resolve data enigma

WHILE THE growth in mobile voice telephony has at times been spectacular, the market for mobile data remains something of an enigma. Everyone agrees it will be huge one day, but so far it has stubbornly refused to live up to early expectations.

As a result, most mobile data operators have been scaling back their subscriber projections, and in some cases their investments.

The latest casualty in the UK has been Hutchison Mobile Data which recently ceased "actively marketing" its *fledgling dedicated data service* and now plans to offer mobile data services on its Microtel digital personal communications network, which is expected to begin operations next April.

One possible explanation for the shortfall between expectations and reality may be that most services are still in their infancy. Another reason may be that customers are confused by the bewildering array of delivery systems and equipment.

Mobile data ranges from one-way pager traffic and short alert messages to more complex two-way data exchange and electronic mail. Excluding pager traffic, mobile data services are offered in the UK by Vodafone and Cellnet, the two cellular operators, surviving dedicated mobile data network operators such as Ram Mobile Data, Cognito and Vodafone's Paknet, specialist network operators such as Securicor Datatrak, and over private and public access mobile radio networks including National Band Three – all using incompatible standards and equipment.

Unlike the cellular telephone network operators, who have attracted more than 7m subscribers for their voice services in western Europe alone, the demand for data services has been disappointing.

But despite being characterised as the Cinderella of mobile services, data transmission has several key advantages over voice telephony. In particular, data transmissions take up much less air time than voice communications. For example, a 35-word exchange between a dispatcher and a vehicle driver takes more than 21 seconds when spoken but just 1.3 seconds even at the very slow data exchange rate of 1,200 bps (bits per second).

Data is generally cheaper, quicker and more accurate than voice and while pagers and cellular phones play an important role in communicating short messages, they have limitations when it comes to transmitting complex or large volumes of information.

Typical applications for mobile data involve transferring information to and from portable computers or retrieving information from mobile data terminals such as meter readers or updating information on the office computer systems.

One advantage is that data transmissions take up much less air time than voice communications

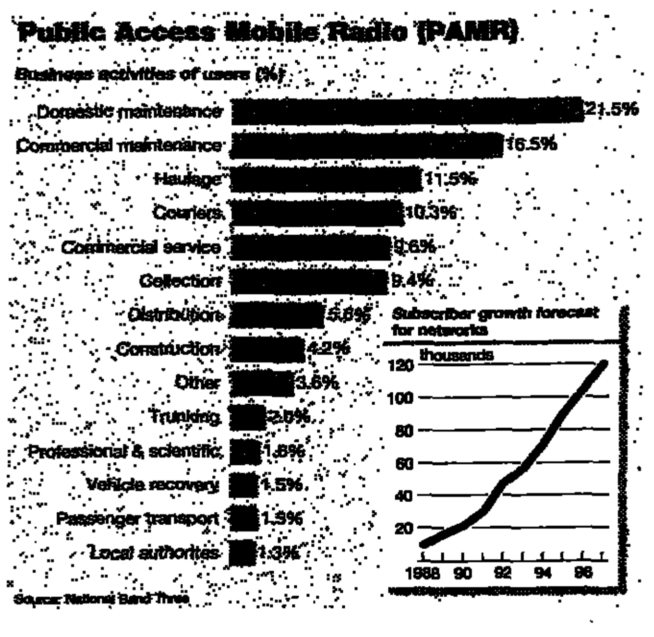
Mobile data can provide a corporate salesforce with up-to-date customer information or keep track of emergency services, like truck fleets or railway wagons. Other potential users in the future include the owners of a new generation of hand-held devices called "personal digital assistants" such as Apple's recently unveiled Newton

The case for digital or dedicated data transmission services is, on the face of it, a strong one. Generally, transmitting data over a non-dedicated service means sacrificing transmission quality, coverage or compromising in other areas. Transmitting data reliably over an analogue cellular system is considerably more difficult than over the public switched telephone network.

Nevertheless, research shows that many customers require a combination of voice and data communications. One solution is to build the specialist electronics into dedicated equipment or use a special cellular modem.

For example, Vodafone's Mobile Data Service uses a special cellular data link control modem to enable customers to transmit and receive error-free data over its cellular network which also provides automatic standards conversion.

Another option is to use a public access mobile radio service such as National Band Three in the UK, which is now owned by Geotek Industries of the US and has 35,000 subscribers according to Mr Andrew Robb, its managing director. Using a simple modem mobile data – both status data and so-called freeform data – is currently free on National Band Three and therefore provides a flexible and very cost-effective option for users wishing to mix voice and data.



"We probably have more data subscribers than Vodafone," says Mr Robb.

Mr Callum Mackie, who runs Protocall Ventures, an independent specialist in trunked mobile radio networks, argues that PAMR offers the best available combination of voice and data. Protocall can provide a complete package of terminals, software and network services enabling a fleet controller to send and receive voice and data transactions over the airwaves using a PC running a Windows-based fleet management and communications programme.

For those disinclined to use modems, another alternative is to wait for digital cellular telephones based on the pan-European GSM or PCN standards. Vodafone has already demonstrated a feature called the short message service centre which enables messages of up to 160 characters to be sent to a GSM handset and displayed on its LCD screen.

However, the GSM specification also includes a facility which will eventually allow any terminal – for example, a portable facsimile machine or a notebook computer – to be plugged directly into the handset.

This could bring the GSM phone into more direct competition with the dedicated packet-switched mobile data networks which were licensed in the UK in October 1991. Five 25-year licences were awarded to Cognito, DMC, Hutchison Mobile Data, Motorola and Ram Mobile Data.

But of these original licence-holders DMC and Motorola, which has invested heavily in the Ardis data service in the US, a joint venture with IBM, did not take up their licences. Paknet, now owned by Vodafone, was subsequently awarded a mobile licence in addition to its existing fixed data licence.

Cognito was closed after the sale of its parent, Dowty Group, last year, but was relaunched last autumn following its acquisition by Sonnaire, a Swiss investment company. Cognito's service provides customers with a mobile two-way text messaging system using a hand-held communicator called a Messenger which has a small screen and keyboard and operates via the group's nationwide data network.

Hutchison based its nationwide data network on Motorola's RD-LAP technology, which has proved less successful than Ericsson's rival Mobitex system. It has recently stopped promoting the network, which had no commercial subscribers.

However, Ram Mobile Data, a joint venture involving US-based Ram Broadcasting and BellSouth, France Telcom, Swedish Telcom and Bouygues, is using the Mobitex system which is beginning to emerge as a de facto standard in Europe in the absence of an official standard from the European Telecommunications Standards Institute, which is not now expected before 1996 at the earliest. So far, Ericsson has won contracts in connection with seven of the 10 European mobile data licences awarded.

Ram has also taken a lead in developing applications software for the mobile data market – seen by many as the key to future growth. Mr John Jarvis, Ram's chief executive in the UK, says the group is encouraging the development of new vertical and horizontal applications, and the migration of existing applications running on private data networks.

Already, more than 100 application projects are in trials with Ram. Among the users of Ram network in the UK are the Next retail chain which uses the service to speed up credit card transactions, reduce fraud and improve customer service and DSL, a national maintenance organisation which use the data network to provide field engineers with far more accurate and timely customer details while they are on the road. The system also enables the control staff more accurately to track its engineers and improve the overall management of its fleet.

Most analysts still expect dramatic growth in the mobile data market over the next five years

Working with Microsoft, the US software group, Ram has also introduced a personal computer-based electronic mail package which allows new and existing users of Microsoft Mail Remote for Windows to send an receive E-mail messages from the field via a Mobitex radio modem without connecting to a telephone line.

Even though mobile data has had a sluggish start and suffered a number of significant setbacks, most analysts still expect dramatic growth in the mobile data market over the next five years because, as Insight Research, a New Jersey-based research organisation notes in a recent report, "the technology solves a real problem: it allows people to transmit and receive information where they find it most convenient."

Insight predicts that advances in digital electronics and battery and display technologies, coupled with liberalised regulatory environments will result in the 1990s in "a new era in wire-less wide-area communications," with the total global market for equipment of $2.4bn in 1993 growing to $5.3bn in 1998.

The US researchers also predict that the world market for wide-area data services will grow from $3.6bn this year to $9.2bn in five years' time, a 20.7 per cent compound annual growth rate.

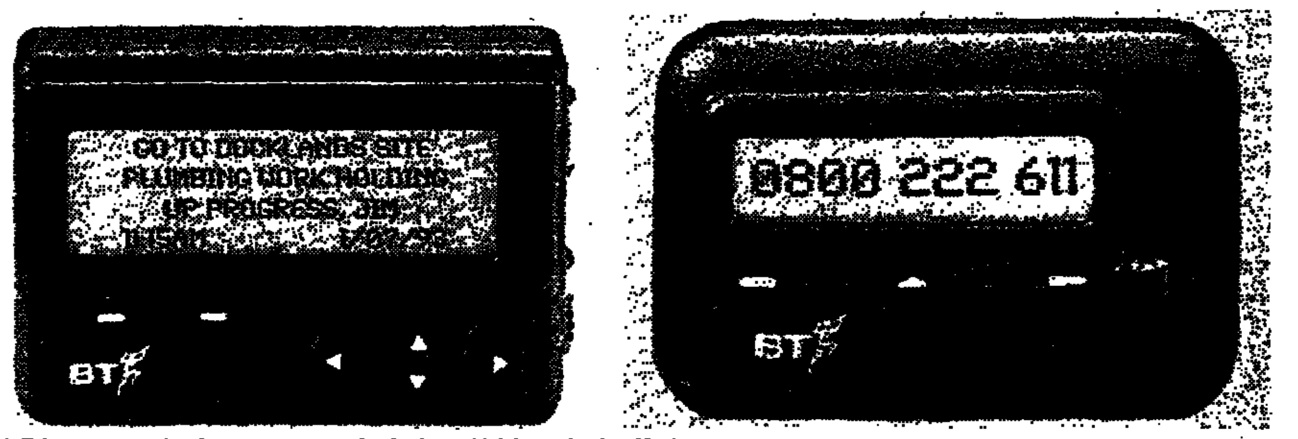
Eventual market size estimates vary wildly but Arthur D. Little has identified 3.8m potential users for wire-less data services in the US within the next decade and Booz Allen Hamilton expects the market to be even bigger with between 12m and 15m users by the turn of the century. Meanwhile, PA Consulting has predicted that there will be 2m users of two-way mobile data in the UK by the end of the decade.

By then it should be clear which mobile data technologies have matured and survived the inevitable shake-out.

Andrew Adonis reports on a contrast in trends

Swedish model catches eye of radiopage operators

Shops are using radiopaging technology from Mercury Paging to tip off police about crimes. The 100th arrest this year from such calls occurred at the Royal Opera House shop in London. Ms Gina Bruce, deputy manageress, is seen with PC Siobhan Long and PC Bob McAllister, who co-ordinates the Covent Garden Business Watch *Trevor Humphries*



British Telecommunications' Message Master XL (left) and (right) the Number Master

IN SINGAPORE and Hong Kong, pagers are as much fashion accessories as means of communication. You see them, brightly coloured, hanging from the hips of teenagers "about town" – some of them not even connected to a network.

Twelve to 20-year-olds are a target market for paging operators in cities in the Asia-Pacific region, appealing to youth on trendiness and their parents as a means of locating and retrieving their offspring. According to CIT Research, the London communications consultancy, Singapore has around 500,000 paging subscribers, Hong Kong 700,000, Taiwan 1.2m, South Korea 1.5m and Japan 6.5m.

The contrast with the UK, where paging is seen as a poor, black-coated relation of the glamorous mobile telephone, could not be more stark. The radio pager may have got there first, providing personal communications for hospitals, police forces, fire brigades and the like decades before the first carphone, but that upstart has swept all before it in profile and profits.

Industry sources give a UK paging population of about 744,000, projected to grow at between 5 and 10 per cent a year for the next decade. However, CIT thinks an annual growth rate of only up to 2 per cent is feasible between now and 2000, by when it expects the cellular telephone population to have reached 5m, treble the current number.

CIT believes growth will be stronger on the continent, but starting from a lower base. By 2000 it projects France with 520,000 subscribers and Germany with 825,000. By contrast, the number of Asia-Pacific pagers is expected to double by 2002, reaching 25m users – 11m of them in Japan.

"One of the most important drivers to the paging market in the Asia-Pacific is its widespread acceptance outside the traditional business market," says Mr Robin Meakin, a CIT analyst.

Mass market appeal seems to be more important than competition: in the UK five national networks are fighting it out, while some of the largest markets – including Singapore, Taiwan and South Korea – are monopolies of the state telecommunications operator.

Mass market appeal seems more important than competition: the UK has five networks, but some large markets are state monopolies

Mr Meakin is sceptical as to whether paging will ever catch on as a consumer good in Europe. He is also doubtful that there is a large market for pan-European paging, pointing to the "disappointing" take-up of Euromessage, which allows roaming between five countries, and the low usage of Eurosignal's roaming service option between Germany, France and Switzerland.

On the potential for a European mass market, all eyes are turning to Sweden, where Telia Mobiltel, an offshoot of the state telecommunications operator Televerket, is pioneering a new consumer service. It has two key elements: agreements with distributors and retailers to sell no-frills numeric pagers through high street outlets and mail order, complete with access number and network connection; and a charging structure which places the costs on the caller per call, not a monthly subscriber fee.

Between 9am and 4pm the calling charge is SKr6 (about 50p); at other times, and all day at weekends, it is SKr1.5 (12p). The price differential with mobile phones is dramatic, and the new package appears to be catching on. Since April more than 15,000 "private" pagers have been sold, and supplies are sold out. Business usage has also increased on the back of the consumer advertising, with subscriber numbers to the business network at an all-time high at the end of June.

"In cellular phones, the buyer seeks the seller: with pagers the seller needs to seek the buyer," says Mr Jan Holmgren, marketing manager for TM's paging service, an ex-Motorola executive who masterminded the consumer launch. TM commissioned market research showing a potential paging market of 1.9m out of Sweden's 8.5m population. "The critical factor is that it should be simple to buy and simple to sell. Distribution is the key, although the charging structure has clearly made it more attractive to the consumer."

Mr Holmgren stresses the price differential with mobile phones. "The activity in cellular is starting to have a pull-through effect with paging, as people are finding out how high is the ongoing cost of cellular," he says.

The UK has five radiopaging network operators – Aircall Communications, BT Mobile Communications, Vodapage, Hutchison Paging and Mercury Paging (which bought Intercity Paging last year). BT has about 55 per cent of the market; Vodapage and Mercury about 15 per cent each.

Monthly service charges are still the norm for all five. Efforts have been made to simplify the service, with the purchase of pagers now accepted and a streamlining of the charging structure. Hutchison has only one zone for the whole country. Vodapage and Mercury have three. BT has six, its tariffs guide resembling a railway timetable.

At the moment, pagers divide into three broad categories:

- the simplest and cheapest is the *tone-only radiopager*, which bleeps to alert its owner that someone wants to get in touch with him or her. BT's option costs £10 a month to rent and use for one zone.
- the *numeric radiopager* uses a small screen to display numbers – the phone number of the person who wants you to call them, or a coded message. It costs £18.50 a month to rent and use with a bureau service from BT (one zone).
- the *alphanumeric radiopager*, which has a small screen showing text and numbers, typically up to about 400 characters though some display more. With a bureau service this costs £28 a month to rent and use from BT.

Business usage has increased on the back of consumer advertising, with an all-time high in subscribers to the business network

All five operators are considering the "Swedish option", though none has yet made a public move. "With the current tariffing package we don't think it is worth going for the consumer market," says Ms Suzanne Stevenson, paging business manager at BT Mobile. "It might be if you pay per call, but I don't think that changing the colour of pagers is going to be enough by itself."

That is a dig at Hutchison, which is taking a first tentative step into the consumer market with brightly coloured pagers for sale in Dixons at Marble Arch, London. Its Philips-made message pagers are retailing for £99 (including first month's subscription); its numeric pagers for £79; and its tone pagers for £49 with a voice messaging service.

"We have taken an important first step," says Mr Nigel Salomon, Hutchison Paging's marketing director. "Our strategy is to take the world's best-kept secret and tell people about it."

Hutchison is also pressing ahead with value-added products, where it is anxious to discard the word "paging" altogether. It recently launched "Pulse", a "pocketable financial information database". Apart from a standard database providing an overview of financial markets, Pulse offers foreign exchange, various indices, equities and metals. It even bleeps when prices or indices pass pre-set levels.

Horse racing results paging services are widely available in Hong Kong. Alas, the last such service has wound up in the UK, and the Swedish model appears to set little store by them.

Cellnet, Vodafone and others will soon have to "compete for real"

Straws in the wind on cellular

IT IS the boast of Vodafone and Cellnet, which hitherto carved up virtually all the UK's cellular business between them, that they have never raised a tariff.

With their margins stratospheric, it is an idle boast. Vodafone last year made an operating profit equivalent to 46 per cent of sales. Cellnet did less well, but its margins are still remarkable. For those concerned about collusion in duopolies, the case for a hard look at the cellular market by the Office of Fair Trading may be overwhelming.

A reference to the OFT is nonetheless highly unlikely in the near future, for two reasons. First, mobile phone users seem to enjoy paying through the nose. At least, they make few protests. Low rates of migration from the operators' high to low-usage tariffs, introduced last year, do not indicate heightened sensitivity among existing users. With the market set for another record year, with around 400,000 net new connections between Cellnet and Vodafone, operators can continue to make a healthy living from those prepared to pay current rates.

Secondly, increased competition is on the way. The existing operators seem almost relieved at the prospect. As Mr Gerry Whent said of Mercury One-2-One shortly before the launch of its PCN network in the south-east: "We need you as competition, otherwise we will get regulated." He immediately added, of course, that he expected the mobile business to rise overall as a result, and Vodafone to benefit thereby.

Mobile phone users seem to enjoy paying through the nose

It is too soon to gauge the likely impact of One-2-One, but one thing is clear: low prices, likely to promote a mobile consumer boom, are not on the near horizon.

One-2-One will charge only two-thirds of the price levied by its two rivals for peak rate calls made on its PCN network. But at 16p a minute at peak rate, with an initial connection charge of £20 and a monthly subscription of the same amount, it is still anything but cheap. And that is after the cost of the handset itself, which comes out at about £250.

To match Vodafone's Lowcall and Cellnet's Lifetime services, One-2-One also has a special tariff for low users. But that, again, is still beyond the reach of most consumer pockets, with a monthly subscription of £12.50 and a peak-rate call charge of 25p a minute.

Vodafone and Cellnet have not been slow to respond. Vodafone has reduced its London tariff to bring it in line with its national tariff – a 25 per cent cut from 33p a minute to 25p at peak rate. It has also announced lower charges for its new MetroDigital service to be launched next month, using a digital network piggy-backing on its GSM network. The MetroDigital rate for daytime local calls will be 20p a minute. Off-peak calls will be priced at 10p a minute.

Cellnet has gone further still, launching a new "Citytime" tariff on its existing analogue network, cutting call prices for subscribers within the M25 area by up to 39 per cent. From next month, the daytime "Citytime" tariff for calls made within the area will be 20p a minute, but at the expense of a far higher price than present – 50p a minute – for calls made outside the M25 zone. All off-peak calls will be priced at 10p a minute.

These reductions are probably the minimum the older operators could have got away with, given One-2-One's catchment area and the fact that about a quarter of all mobile calls are made within the M25.

Of course, further cuts are on the cards if Mercury comes remotely close to realising the goal of Mr Richard Goswell, its managing director, for 1m customers. They might also come if Hutchison's "Rabbit" telepoint service, which is now complete, looked like creaming off a significant slice of the "cheaper" business market – something it has failed to do so far, its price providing insufficient compensation for its inability to receive incoming calls, and the restriction of being able to make outgoing calls only in places with a Rabbit sign.

One-2-One has all but shut out the service providers

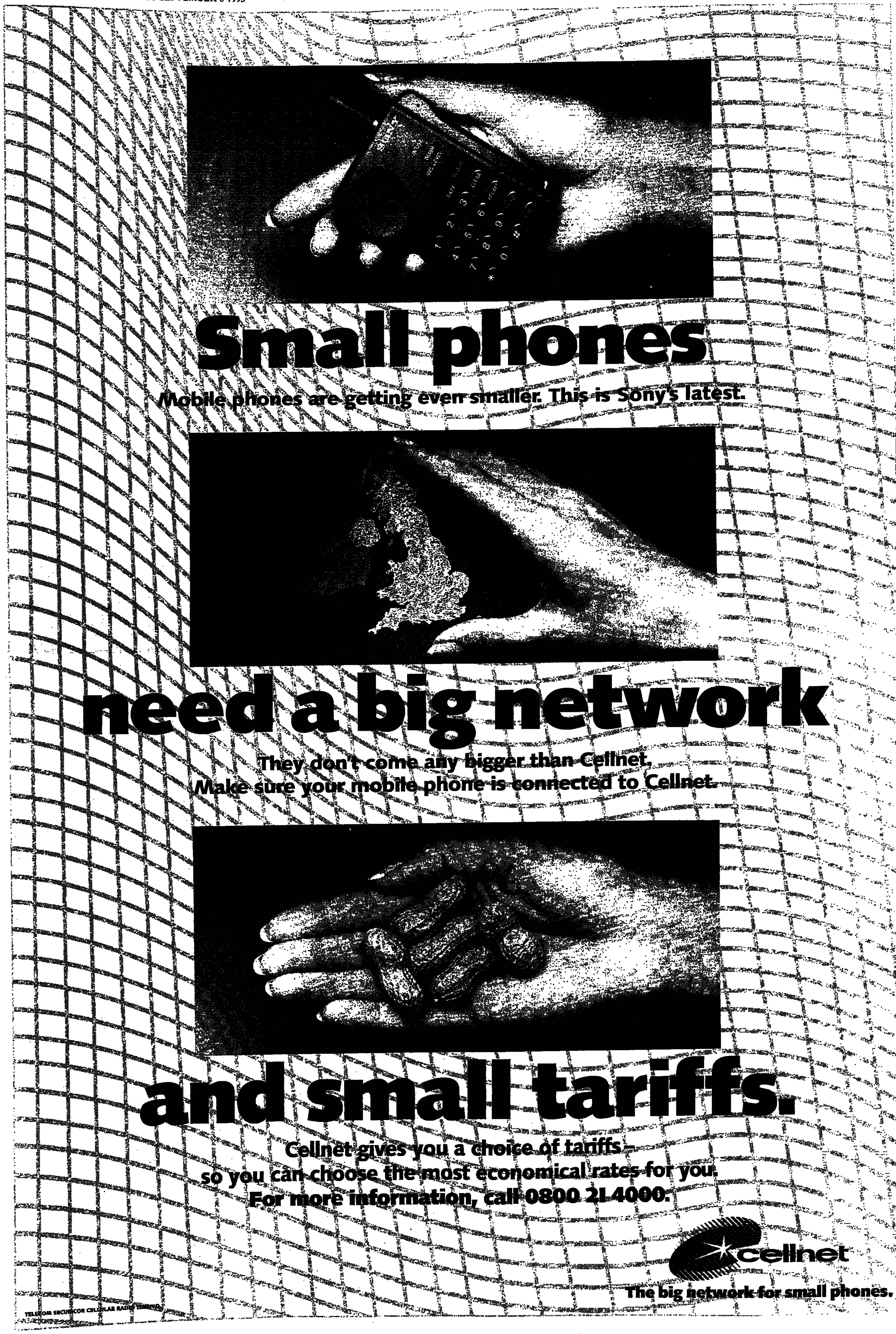
There is a further straw in the wind: the growing reluctance of the operators to sell their wares through service providers, who act as retailers of their "wholesale" tariffs, creaming off a profit on the way. One-2-One has all but shut out the service providers – much to their chagrin – and will deal directly with most of its customers. Cellnet and Vodafone are still bound to use service providers by the terms of their licences; but these terms are subject to review at the end of the year, and it is likely that one or both of them will undertake direct selling of their own, albeit without seeking to undermine the service providers at the outset.

"The industry is moving towards more personalised communications and marketing," says Mr Dean Eyres, an analyst with Dataquest, the consultancy company. "Originally it was just sales, no marketing. Operators realise that the higher margin business is going, and they have to start competing for real."

As yet, they have barely started "competing for real". It is not just a question of whether an unregulated three-cornered market proves more cost-conscious than the existing regime. There is also the question of how to market such a complex array of tariffs – now some 10 in all – between the three operators.

Mr Whent does not regard that number as a problem. "It is far fewer than in life insurance," he claims. So wait for the mobile door-to-do salesman around the corner.

Andrew Adonis



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By general agreement, the launch of telepoint services in Britain in 1989 was little short of a *debacle. But, despite the* inauspicious start, the UK-developed public cordless telephone service is proving a success in some overseas markets, particularly in south-east Asia.

At the same time operators have found ingenious ways to turn basic telepoint into a two-way service while equipment manufacturers such as Canada's Northern Telecom have developed enhanced telepoint services.

Telepoint's brief but chequered history began in the mid-1980s when Ferranti, the Manchester-based electronics group, developed a "second generation" digital cordless telephone technology known as CT2 which allowed outgoing calls to be made within 100 metres of designated public points – or base-stations.

In 1988 the British government licensed four groups to provide telepoint services based on CT2. Unfortunately, the systems were *incompatible* with each other, overpriced and poorly marketed in competition with cellular services.

Even multinational backing was not enough to save three of the services dubbed Creditphone, Phonepoint and Callpoint. All were abandoned within three years, having *accumulated fewer than 10,000* subscribers between them.

By the end of 1991 the fourth licence held by a consortium called BYPS, comprising *Philips, Barclays and Shell*, had been sold to a new owner, Hutchison Telecom, part of the Hong Kong-based Hutchison Whampoa group.

At that *stage* most industry analysts were ready to write off telepoint for good. But some equipment manufacturers including GPT, the UK-based *telecommunications equipment* manufacturer, Motorola of the

The groups' systems were *incompatible with* each other, overpriced and poorly marketed

US and *Northern Telecom*, coupled with network operators like Hutchison, have persevered with the technology.

There is little *disagreement* that telepoint has taken longer to take off than originally expected. But along the way some important marketing lessons have been learned and telepoint services have proved a commercial success in some markets.

In Hong Kong three operators, Hutchison, Chevalier Telepoint, and most recently Pacific Telelink, backed by Vodafone, the UK cellular telephone network operator, have launched successful services over the past 18 months. Altogether, they have around 55,000 subscribers and are still growing rapidly.

Telepoint services have also

Inter-City Paging's Newspage gives instant access to national and international news stories as they happen. And, for good measure, it can keep you up-to-date with the FTSE index and currency details

Paul Taylor examines the progress of public cordless telephone services

The 'street wise' take to telepoint

proved popular in Singapore, where the Callzone service was *launched at the start of 1992 by* Singapore Telecom and in Malaysia and Thailand where telepoint services are provided by the national carriers. At the *end of last* year *Callzone had* more than 21,000 subscribers, while Fonepoint in Thailand connected 5,000 subscribers in its first few months of *operation.*

Mr Ken Miles, project manager for GPT Market Systems which supplies telepoint infrastructure to *Chevalier in Hong Kong*, attributes the success of telepoint services in these countries to their "street culture" and dense urban populations – *both factors* which lend themselves to telepoint services.

"Everybody in Hong Kong either has a mobile phone or a pager," says *Mr Miles*. There are over 800,000 pager users in Hong Kong, many of them aged 18 to 25, and this is the market which has been targeted *successfully* by the telepoint operators.

Hong Kong telepoint handsets and services are very cheap but the big advantage of having both a pager and a telepoint phone is that it enables the network operator to provide a pseudo two-way service and overcome one of basic telepoint's main drawbacks – its inability, in standard configuration, to receive incoming calls.

All three telepoint operators in Hong Kong now provide a "meet me" service. This works

National Band Three's data communications service in use in a vehicle, sending and receiving messages from office-based computers

as follows: Suppose someone wants to reach a telepoint subscriber with a pager. The pager number is dialled and the system asks the caller to hold. A message is then sent to the pager asking the owner to dial a pre-set number. Provided the telepoint subscriber dials the number within 60 seconds the call is connected. If there is no response from the pager the caller is put through to a voice message centre.

This system has proved so successful that telepoint operators elsewhere are now adopting it. In the UK Hutchison's "Rabbit" service has been testing a variation of the "meet me" service using an integrated telephone/pager handset.

In France where France Telecom's Bi-Bop service was extended from Strasbourg to Paris in April and signed up 10,000 subscribers in the first month, a "meet me" service has been adopted together with an alternative system which also provides pseudo two-way operation. Telecom Finland, which launched its Pointer telepoint service last November, also began testing a similar paging-based two-way service earlier this year.

Most industry experts agree that Hong Kong is probably a unique market in Asia – not least because it is the only one with more than one telepoint operator. However elsewhere in the Asia-Pacific region GPT has sold one system in Vietnam, had expressions of interest from India and recently signed an agreement to become one of the main suppliers of telepoint systems to China.

Earlier this year GPT also won a £2m contract to provide a complete telepoint network – including the world's first cordless PABX for the city of Nigbo in Zhejiang province. In less developed countries like China, telepoint can provide a cost-effective basic telephone *service where previously* there was no service at all.

GPT has also supplied the equipment for Australia's first telepoint service called "Talkabout" which was launched in Brisbane in March by Australia Telecom. Talkabout also achieves two-way operation, though in *this case* by *introducing* a concept called "neighbourhood telepoint" or "islands of cordlessness" where part of city or town is covered by CT2 base *stations* linked by a switch.

Each subscriber has a unique number by which he or she can be called. The system provides subscribers with two-way communications within the area where they live and with their handset they can also be registered for their office or for another telepoint network in another city – or even country.

In Canada an upgraded two-way version of the telepoint cordless telephone specification has been developed by Northern Telecom and adopted as the country's official cordless phone standard. In January the Canadian government selected four consortia to build and operate national two-way telepoint serv ices based on the CT2-plus class 2 standard which allows subscribers to be reached anywhere on the network, provided that they are within range of a base station.

The new technology also supports smooth handovers between base stations and allows handset manufacturers to incorporate indicators which will tell users whether they are in range of a base station needed to use the handset.

Even in Europe, telepoint is shrugging off its early image of being "the poor man's mobile phone" to find limited success in some markets, though progress is still disappointing.

In the UK Hutchison's re-launched national Rabbit network is now complete with over 12,000 base stations covering 700 cities and towns and more than 10,000 subscribers. Hutchison has been aggressively promoting the service and emphasising telepoint as "the pay-phone in your pocket" rather than as a direct competitor for cellular. It has cut prices for handsets, *home base* stations, calls and monthly subscriptions and set a target of 60,000 subscribers by the end of 1994.

In addition, new telepoint services have been introduced successfully in Holland and Finland and a trial is under way in Belgium.

However, there have been setbacks elsewhere. The Japanese Ministry of Posts and Telecommunications has put back its plans for introducing its telepoint service until 1995 and in Germany Deutsche Telekom has abandoned plans for a full commercial version of its Birdie service. Despite this, some important lessons have been learned from the early

Hutchison has been promoting telepoint as "the pay-phone in your pocket"

disastrous telepoint experience in the UK. Among these, analysts now agree that too many operators were licensed and the service was mistakenly *marketed as a competitor to* cellular instead of addressing a completely different segment of the market.

In addition, the three UK networks began with inadequate infrastructure in place and handsets which were too expensive, working on incompatible proprietary systems which caused customer confusion.

Today's telepoint operators have addressed most of these shortcomings and have begun to extend the concept of cordless communications from the home into the street and now the office where new cordless systems based on CT2 technology are beginning to appear.

John Williamson looks at an area where the UK is in the forefront of technological developments

Mobile phones: the weight of things to come

WHEN they were launched in the UK in 1987, portable cellular telephones cost over £2,500 apiece. They were brick-like in size and sorely lacking in visual charm. As such, their appeal was largely limited to those whose business and professional lives depended on the ability to make and receive calls when a wireline telephone was not to hand.

Today, the unit retail price of a portable telephone is generally below £300, and can be very much lower if the product is subsidised by a network or service provider. Average dimensions have shrunk to those of a typical video cassette recorder remote control. Leading manufacturers such as Motorola and Nokia are now talking of terminals as fashion accessories of the future, with user-changeable colours and shapes.

Unusually for practically

A new model being launched this month has virtually the same *dimensions as a pack of* playing cards

any field of endeavour, the UK is *at the forefront of developments* in this technology worldwide, thanks in large part to the Thatcher government's creation of a highly competitive market regulatory regime.

In the popular imagination cellular phones are closely identified with the go-getting 1980s, being one of the essential accoutrements of the young and upwardly mobile.

The first UK cellular pilot system was installed by Cellnet to support a world economic *summit held in* London in 1984. Thereafter, car phones and transportable terminals quickly lost ground in popularity to devices which could be carried in a briefcase or handbag. At present, says Mr Mike Short, Cellnet's director of external affairs, portables account for around 60 per cent of the 1.75m mobile telephones in use in the UK, and up to 80 per cent of all new sales.

The latter compares with a figure of around 45 per cent for the US, the birthplace of cellular telephony.

Over the last few years technological advances have resulted in analogue cellular telephones which, in the case of Motorola's MicroTAC II, weigh in at as little as 167 grams. Size-wise, a new model being launched by Sony this month has, at 64.2mm x 85.5mm x 24.4mm, virtually the same dimensions as a pack of playing cards.

In spite of dramatic reductions in mass and price, national penetration rates for cellular telephones remain modest in the extreme.

In the UK, cellular ownership amounts to no more than three phones per *100 head of* population. Even Sweden, with the world's highest density of mobile telephones, has only 8.6 units for every 100 inhabit*ants.*

In reality, the overwhelming majority of cell phone users are still drawn from the ranks of the business and professional communities.

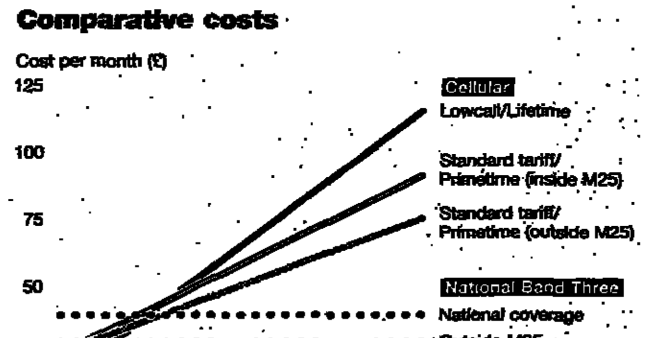
But this is set to change, and a move from what Motorola terms "the classes to the masses" is already in progress in many parts of the developed world.

This enlargement of the cellular industry's remit is due to three main factors:

■ The established corporate and commercial *market* is approaching saturation in some locations.

■ Additional competition is entering the cellular arena in *some countries* such as the UK, Germany and the US. While the so-called personal

Comparative costs



Source: National Band Three

communication network (*PCN*) operators will inevitably attack some of the incumbent cellular operators' customer base, to survive they will have *to grow the market constituency* overall.

■ The advent of digital cellular provides a means to support true mass market sub*scriber populations for the* first time. As a rule of thumb, digital networks can accommodate around 10 times more subscribers than their analogue counterparts for a given chunk of *radio spectrum.*

A move from "the classes to the masses" is already in progress in many parts of the developed world

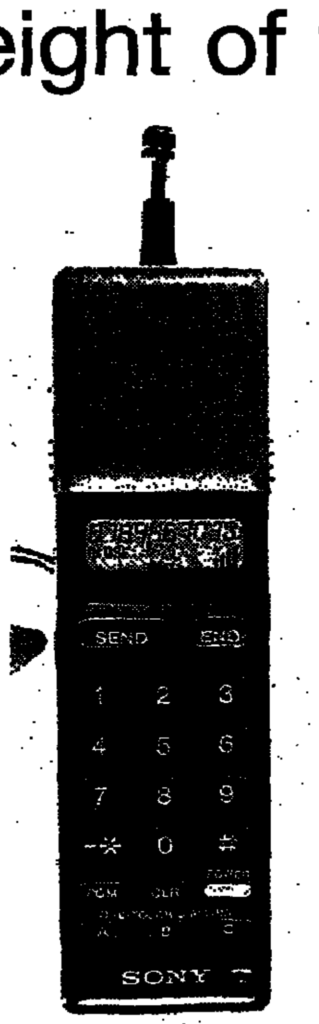
This new environment presents the phone manufacturers with some stiff challenges.

As is generally acknowledged, *portable phones of all* types will need to become even less obtrusive then at present. *The ideal, says Mr Bob* Weisshappel, senior vice president and general manager of Motorola's worldwide cellular subscriber group, is to make ter*minals "wearable" to the point* where users carry them as naturally as they now do pens or watches.

This does not necessarily mean drastically smaller terminals since there are certain fixed values for "face- and finger-friendliness" to be taken into account.

Motorola, the world's leading cellular phone vendor with around 30 per cent of the market, believes that terminal weight will be of more consequence than size. However Nokia, the second *largest* supplier with 20 per cent of the global business, reckons that weight reduction can reach a point of diminishing returns.

Mr Anssi Vanjoki, vice president of sales at Nokia Mobile Phones, cites market research which indicates that, below a certain mass, there is a reluc*tance* to pay a premium for further weight reduction. "It doesn't feel like it's worth the money you paid for it," he says.



The Sony Handset was launched last winter in conjunction with Cellnet's new Lifetime service

However, there is a consensus that the larger and heavier digital cell phones now appearing on the market will have to slim down in record time to the size and weight of the best case analogue telephones currently available. "Whenever you come out with something that's new, it will always be compared with what is already there," says Mr Weisshappel. "That's the standard market reference."

With volume sales of digital terminals, industry calculates that pricing should likewise be comparable. "It's called when," says Mr Weisshappel.

Greater simplicity of operation will be another factor shaping the cell phone business of the future. "To really hit the mass market, the phone has to be simple to use and easy to understand," says Mr Don Burns, general manager and vice-president of Motorola's European cellular subscriber division.

Continuing the VCR remote control analogy, Mr Peter Radley, Alcatel's vice president for mobile communications, says that many phones currently on the market virtually require the application of low-level programming skills before their *full functional* repertoire can be accessed. Devoting resources to build capabilities which are not used instead of using resources to build facilities which are is a lost cost. "It doesn't take the industry forward as far as it might go," he argues.

It is now also an article of faith in the mobile business that the dawning of consumer cellular will be attended by a sizeable proliferation in the variety and types of terminal offered for sale.

This will be a consequence partly of the need to accommodate the huge number of user profiles resident in the consumer sector. "If the phone is going to be with you all the time, and be of value to you, it's got to fit your life-style," comments Mr Radley, "and all our life-styles are different."

Sometimes, as in the case of Swatch's deal to brand-name Nokia equipment, companies outside the mobile field will try their hand at popularising the mobile phone.

Further stimulating product variety will be the desire by both incumbent and incoming operators to differentiate their services.

A current *example of this is*

Many phones virtually require low-level programming skills before their full repertoire can be accessed

the One-2-One PCN phone built by Motorola with styling, including a distinctive "thumb print" master control button, contributed by the operator Mercury.

It is clear though, that the convenience, utility and styling of the portable phone are only one *part of the mass* market story. Four years ago a survey in the US revealed that terminal price was a key consideration in the decision to *subscribe to a cellular service.*

This is unlikely to be true today in many places. Current and would-be subscribers are now aware of, and concerned about, the relatively high cost of actually using a mobile phone. Initiatives such as off-peak, domestic and volume discounts are designed to address these concerns, and in the UK service provider The People's Phone will discontinue outgoing calls once a limit agreed beforehand with the customer is reached.

In the final analysis, though, cheaper calls are needed across the board to spark a true mass mobile revolution. "They're definitely required to take the market to its next level of maturity," *concludes* Motorola's Mr Burns.

The writer is senior editor of Global Telephony magazine

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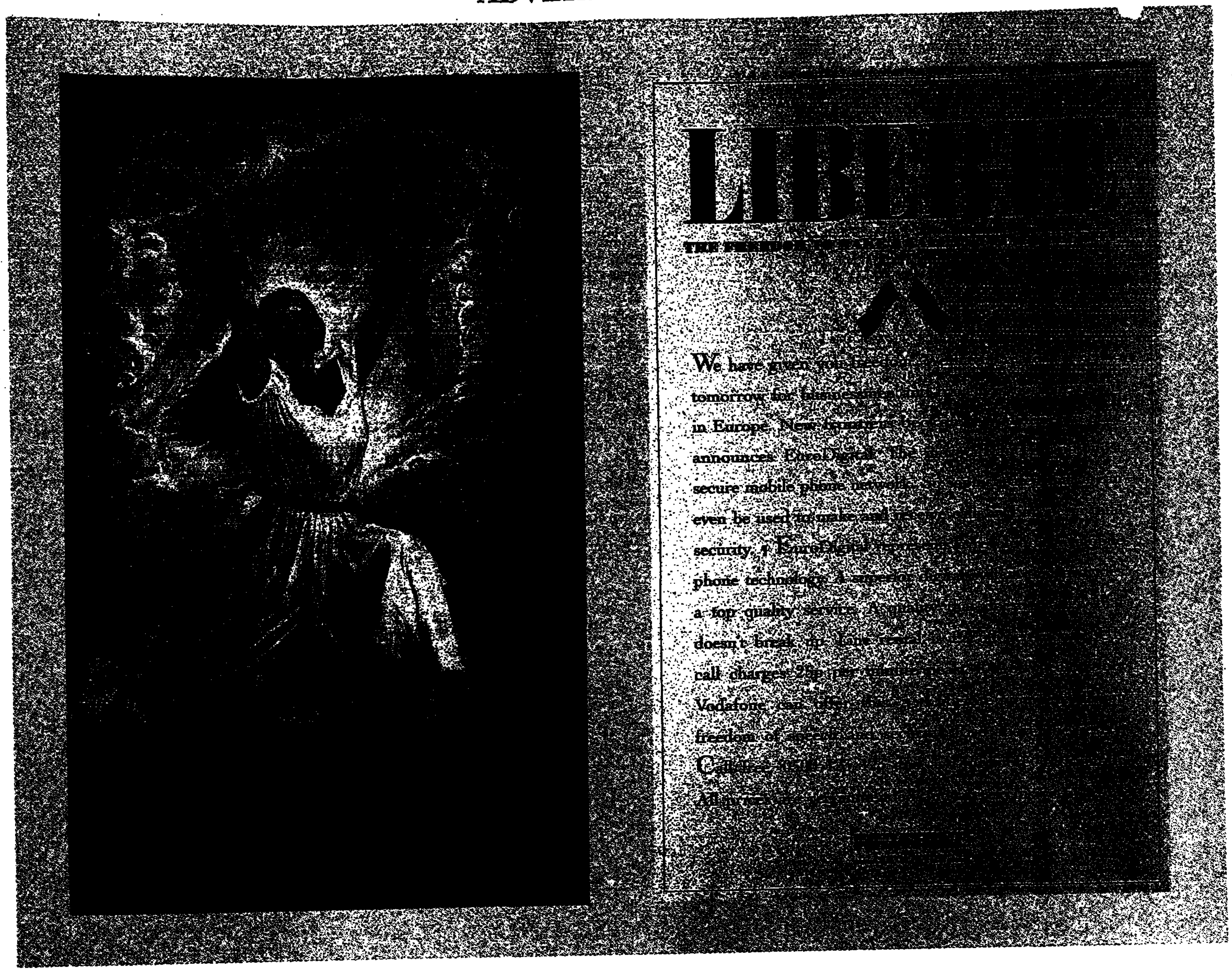

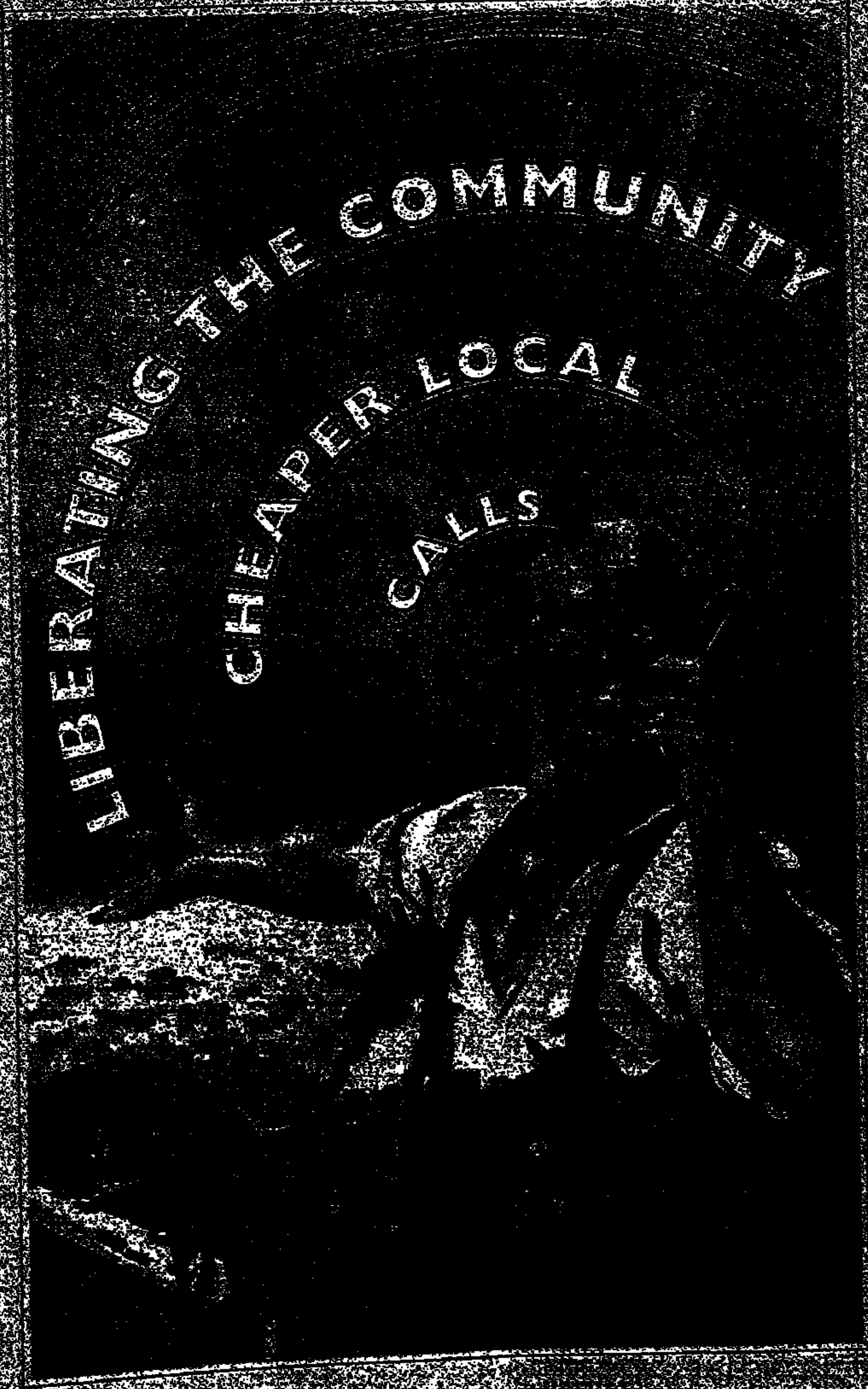

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GLOBAL TECHNOLOGY PROJECTS

Satellites move closer to earth

LAST MONTH the dream of a truly global handheld mobile telephone service moved a step *closer when Motorola, the US* electronics group, won financial backing for its Iridium satellite tele*communications system* – described as the world's biggest private-sector aerospace project.

Companies from North and South America, Europe and Asia agreed to provide \$100m in cash and promised another \$700m as the first stage in financing the \$3.4bn Iridium project.

Motorola, which conceived the project, has invested about \$270m of the \$800m itself and expects its stake to fall to 15 per *cent as new investors join.* Other US investors include Raytheon, the aerospace company, and Sprint, the *telecommunications group.*

In Europe Stet, the holding company for Italy's domestic and international telecoms businesses, is involved as is Mawarid, a Saudi Arabian industrial group. The Japanese, including Sony, Mitsubishi and Mitsui, have invested as the Nippon Iridium Corporation.

The financing agreement gives Motorola a clear lead in the race to build a mobile telephone system capable of handling telecommunications traffic literally "from anywhere on earth".

Satellite systems already provide a range of key telecommunications services including maritime and aeronautical communications where land-based systems are not an option. They also provide links to inhospitable and remote areas of the world using briefcase-size portable satellite terminals, such as those supplied by Inmarsat, the London-based 69-member International Maritime Satellite Organisation.

These mobile communications satellite services are mostly based on geostationary satellites (Geos) which orbit the earth at a height of 12,000 miles or more. In contrast the Iridium system, and a handful of similar schemes proposed by other consortia, are based on an emerging technology called low earth orbit satellites (Leos).

Leos orbit at a much lower 550 to 6,000 miles. Because they are closer to earth, telecommunications systems built around Leos should suffer less from the characteristic echo heard on some satellite voice links.

Perhaps more importantly, they will work with much less powerful – and therefore smaller and lighter and cheaper – telecommunications equipment including pocket-sized handsets.

However Leos do have a number of disadvantages. Like Geos, they are solar powered but because they orbit lower they will spend more time in shadow and therefore have a much shorter lifespan of around five years compared to 10 or more for conventional satellites. They also rely on largely untested digital telecommunications technologies.

But their biggest – and costliest – disadvantage is that to provide reliable global coverage many more Leos are needed than would be the case with their higher-flying counterparts. In the case of Motorola's Iridium project for example, 66 small telecommunications satellites will be required.

Iridium plans to place the "constellation" of satellites in orbit over two years starting in 1996 and will use a combination of McDonnell Douglas Delta rockets from the US, the Proton rocket from Russia and China's Long March launch vehicle. Commercial services would start in 1998.

Low earth orbit satellites have a number of disadvantages, such as a shorter lifespan

Another five US-based consortia have proposed similar schemes although none are quite as ambitious as Iridium and no other project has yet won hard cash financial backing.

They include Odyssey (6-12 satellites), Globalstar (48 satellites), Ellipso (12-24 satellites) and Constellation (48 *satellites.) Participants* in these other Leo telecommunications projects include US aerospace companies Loral, TRW and Fairchild; France's Matra, Aerospatiale and Alcatel; Deutsche Aerospace; Matra-Marconi, the Anglo-French joint venture; and Italy's Alenia.

Market volume (000) by segment 1988-91					
	1988	1989	1990	1991	Compound annual growth rate
Cellular	640	965	1,260	1,430	31 per cent
Pager	365	610	605	640	21 per cent
PMR Mobiles	600	660	725	830	11 per cent
TOTAL	1,605	2,235	2,590	2,900	22 per cent

Source: Datamonitor Analysis, Industry Interviews

Market volume (%)				
	1988	1989	1990	1991
Cellular	39.9	43.2	48.6	49.3
Pager	22.7	27.3	23.4	22.1
PMR Mobiles	37.4	29.5	28.0	28.6
Total	100	100	100	100

Source: Datamonitor Analysis

Most of the groups plan to start commercial operations between 1996 and 1999, some with coverage limited initially to the northern hemisphere.

Another group, American Mobile Satellite, a joint venture between McCaw, Hughes and MTEL, already has a geostationary satellite system in operation although coverage is limited to just North America.

Several other groups including Orbital Sciences and Starsys Global Positioning of the US have plans for Leo systems which would provide data rather than voice services.

Motorola's success in securing financial backing for *Iridium is expected to trigger a* race between the other Leo contenders. Not only are there limits to the world's satellite launching capacity, but most analysts believe the market can probably support only two competitors.

To supplement revenues from voice traffic Leo systems will also carry fax messages, paging, facsimile, computer *data and provide radio-*determination satellite services, which locate telephones by latitude and longitude.

Iridium hopes to attract between 1.5 and 2 per cent of the number of cellular telephone users by the end of the century – perhaps as many as 1.5m subscribers.

Each customer will have to buy either an Iridium handset or a dual purpose handset which will work with both Iridium and the buyer's own local mobile telephone network. Calls will cost about \$3 a minute, expensive in comparison with conventional cellular rates.

Some analysts question whether Leos make economic sense as a mass market voice telecommunications delivery system in competition with terrestrial-based networks.

Even if the economics of Leo *telecommunications networks* can be worked out, their backers face some formidable other problems. Not least is the need to raise further substantial funding.

Iridium, for example, will need to follow last month's *initial funding tranche by* another of almost equal size within two years. The remaining 60 per cent of the money needed will come from the debt market, says Goldman Sachs, Motorola's adviser. By that stage Iridium and system developers will *also have to* overcome a number of other difficult issues if they are to win the backing of inter*national investors.*

Among these is the issue of frequency allocation. Last year the World Administrative Radio Conference in Spain agreed which frequencies to allocate to Leos in principle.

But since then, the various groups backing the systems have been unable to agree how this allocation should be divided up – threatening to delay the timetable for licensing global mobile satellite systems in the US.

The dispute has arisen because Iridium, unlike all its other rivals, plans to use time division multiple access technology – which does not allow sharing – for its system. Each *TDMA* user has to be granted the exclusive use of a designated block of frequencies. In contrast, all the other proposed systems would use code division multiple access or spread spectrum technology which is able to share a block of frequencies. The US Federal Communications Commission has yet to rule on the issue.

Another set of unresolved problems relates to who should regulate Leo operators – an issue which is exercising the European Commission and other would-be regulators. Motorola, like most of the other contenders, has only an experimental licence from the FCC while a European Commission report on Leo satellite networks in December 1992 said it would take at least another five years to answer regulatory and other questions.

However the biggest problem *remains the apparent potential* oversupply of satellite system operators. That has not been eased by Inmarsat's own plans *for a new satellite-based global* hand-held mobile telephone service designated Project 21.

Inmarsat, seen by many as *the main rival for Motorola's* Iridium project, had planned to base Project 21 on a \$2bn Leo network. However, at the end of July it abandoned the Leo concept in favour of a network using fewer satellites placed in higher geostationary or intermediate orbits.

The decision to opt for a conventional system, taken after Inmarsat commissioned reports on the various options and a potential user survey, should enable Inmarsat to reduce its investment to about \$1bn.

But whether the decision will benefit Iridium and the other Leo groups is a moot *point. On the one hand, it* means Inmarsat is giving up the supposed advantages of Leos and could have implic*ations for the type of service* that it is able to offer. This may make it easier for Motorola and others to secure *investor support for their Leo* systems. On the other hand, it highlights the technical complexities of Leo systems and *may enable Inmarsat to prov*ide a significantly cheaper service.

In the next few years these contrasting approaches will be put to the test. Whatever the outcome, it seems certain that the by the end of the decade satellites will have added another important dimension to hand-held mobile communications.

Paul Taylor

Drivers stuck in traffic or unable to get the car out of the garage can inform the office by phone or via a printer

Company Profile: NORTHERN TELECOM

Running hard to make up lost ground

NORTHERN *TELECOM* spent most of the 1980s carving out a market in the US for its big public switches, and developing a new fibre-optic transmission system. It failed to notice the rapidly growing cellular *market.*

The Toronto-based company is now having to run hard to make up lost ground. "We're still a small player *coming* in late," says Mr John Roth, president of Northern's two-year-old wireless systems division, which now employs about *3,000* people.

While Mr Roth says that Northern already has a "superior product", he acknowledges that it has yet to build a reputation or a market presence which can *match its* rivals, notably Sweden's Ericsson.

Its efforts to do so have so far had mixed results. On the one hand, a slew of *new* products and two international joint ventures have succeeded in raising its profile in the cellular business.

Revenues have tripled in the past two years (Mr Roth declines to be more specific). Breakthroughs have included *an order for* switches and other cell-site equipment from Southwestern Bell, the Texas-based utility which has previously placed *all its cellular business* with AT&T, Ericsson and Motorola.

Northern is also supplying equipment for a residential wireless-telephone system being developed by Ionica, the UK company which obtained a public telephone operator's licence *earlier this year.*

But Northern's entry into the cellular market has not been without setbacks. Its overall market share remains small.

Northern's strength is its switching expertise. It claims that its *DMS-MTX* SuperNode digital switch has more than double the capacity of its nearest competitor.

Northern's overall share of the cellular market remains small

Northern expects demand for *such high-powered* switches to soar as the distance between cells continues to shrink and more calls from mobile phones require "hand-offs" from one cell to another.

A big challenge, however, has been to improve its access to radio technology. Northern gained one toehold with its purchase last year of the cellular radio manufacturing business of Novatel, a financially strained Alberta company. Northern has moved produc*tion to its own plant in* Calgary, from where it has shipped about 12,000 digital radios.

But a joint venture with *Motorola, to serve the North* American market, has failed to meet expectations. Mr Roth says that "we thought that (Motorola) would have a stronger radio portfolio than it turned out they actually had."

Another point of friction has been Motorola's strong commitment to Code Division Multiple Access, a new –but con*troversial – radio-frequency* technology. CDMA clashes with the digital Time-Division Multiple Access technique *favoured so far* by Northern.

The joint venture has been all but disbanded, although the two companies still plan to press ahead with cellular *systems which integrate* Northern switches with Motorola wireless equipment.

A global partnership with Matra Communications of France, based on the European Groupe Special Mobile wireless standard, has been more fruitful.

The global partnership with Matra has proved fruitful

This joint venture, known as Nortel Matra Cellular, installed a GSM cellular network for Optus Communications of Aus*tralia earlier this year. It also* has orders from Austria, and is currently negotiating a sizeable contract in Germany.

In North America, Nortel Matra has provided handsets and other equipment to MCI, the US long-distance carrier, for GSM trials in Washington DC. The tests aim to give cellular subscribers access to such features as *voice mail* and screening incoming calls.

Northern's thrust into mobile communications has also taken it into the low-powered end of the market. Its digital Companion wireless system is designed for customers – such as hospitals, car dealerships and hotels – whose employees need a cordless phone without the range of a full-scale public cellular network.

The Companion system can be used either as a sophisticated two-way radio, or linked *to a switchboard as an adjunct* to an office telephone.

Employees can answer calls dialled to their internal phone number either on a wired telephone or a cordless handset. Numerous other variations are being developed, including a system which will link divisions of the same company located in buildings miles apart.

British Telecom began offering Northern's Companion system last June. Mr Roth expects that customers in 15-20 countries will have signed up by the end of this year.

Bernard Simon

Mark Newman looks at developments in eastern Europe

Only the elite can afford such prices

CENTRAL AND eastern Europe were going to do it differently. Instead of digging up roads and laying down cables, many experts in the telecommunications industry said the new democracies would be better off using wireless communications systems to vitalise their crumbling telecommunications infrastructures.

But things have not quite worked out as the experts hoped. Mobile telephone networks have been built in almost every capital city over the last two to three years, but services are expensive even by western standards and affordable only by an elite band of foreign businessmen and government officials.

Meanwhile, there has been little improvement in the quality or availability of local network services. The only exception is eastern Germany, where Deutsche Telekom is investing DM70bn on installing a new telecommunications infrastructure. It has used modified versions of existing cellular telephone networks to provide services to businesses in a number of towns and cities, but this is only an interim measure before cables are laid.

There are 11 cellular telephone networks in operation today across central and eastern Europe, providing service to approximately 60,000 subscribers in markets with populations totalling 115m. In all of these countries the networks are operated by joint ventures between the local telephone network operator – which retains a majority interest – and one or more foreign telephone companies.

US West, the US regional telephone company, partners PTTs in five markets – Hungary, the Czech Republic, Slovakia, Moscow and St Petersburg. Estonia and Latvia have both chosen Telecom Finland and Swedish Telecom as their joint venture partners, while Lithuania operates a joint venture with Tele Danmark and Millicom International Cellular, a Luxembourg-based company. In Poland, France Telecom and US telephone company Ameritech are the foreign partners, while in Romania, Telefonica of Spain has a joint venture with Rom Telecom. Ukraine Mobile Communications, which opened its network on July 1, has three foreign partners – Deutsche Telekom, PTT Telecom Netherlands and Tele Danmark.

The first subscribers to cellular telephone services in eastern Europe used them almost exclusively as a substitute for the fixed network. In many countries, people have to wait years for a telephone line to be installed. Even then, it is hard to get an international line. A cellular telephone line can be switched on in less than a day, and access to the international network is never a problem.

Usage levels are two to three times higher than in western Europe at around 250 minutes a month. A large part of this is made up of international calls.

Subscriber levels fluctuate widely. Westel, the joint venture between US West and the Hungarian Telecommunications Company, is the most successful of the 11 operators. It had 32,000 subscribers by the middle of this year, four times as many as any other system.

Mr Mark Bell, an executive director for operations at US West Spectrum Enterprises, says that "initially people bought cellular telephones as a substitute for the fixed network, but they tend to hold on even after the basic telephone service has improved." Subscriber growth in Hungary is higher than in most western European countries.

Other US West joint ventures in eastern Europe have been less successful. Delta Telecom, its St Petersburg venture, has only 1,130 subscribers. Moscow Cellular Communications has 3,960 subscribers, and the Eurotel Prague and Bratislava companies in the Czech Republic and Slovakia have a total of 9,100 customers.

The high price of the services in these countries has contributed to the slow take-up. A survey by the FT newsletter Mobile Communications last year demonstrated that the average cost of buying and using a cellular telephone for a year (assuming that a subscriber makes 250 minutes of calls a month evenly divided between local and international calls) was $7,500.

It is the high upfront cost of subscribing that produces the major barrier to a purchase. The average cost of buying a transportable telephone and connecting to the cellular network was $2,020 in 1992, according to the survey.

But the high prices will come under pressure with the launch of competing networks. Russia has already awarded 12 regional cellular telephone licences for systems using the European digital GSM standard. Hungary has shortlisted five bidders for two GSM licences. Poland, the Czech Republic, Slovakia and Poland all plan licensing procedures for GSM network operators.

There has been some frustration in a number of central and east European countries about the high price of mobile communications services. When the Hungarian government drew up a licensing process for two GSM licences, it originally intended to favour those bidders who planned to set tariffs at the lowest level.

But it changed its mind last month and the adjudication process will now favour the consortia which offer the highest bids for the two licences. A group comprising BT, France Telecom and Deutsche Telekom has already offered $48m for the licence. With a second round of bidding still to come, the two licences could generate close to $100m for the Hungarian Treasury.

The Hungarian situation illustrates the dilemma that countries in the region face when deciding telecommunications policy. Delivering high-quality telecommunications services to businesses and residential customers is clearly a priority, but when the opportunity arises to replenish depleted state coffers by selling the right to offer services to foreign telephone companies, the temptation to take the money invariably proves the decisive factor.

The writer is editor, Financial Times Mobile Communications

East Europe: ownership structure of cellular telephone operators

Country	Company	Ownership (%)
Czechoslavakia	Eurotel	US West 24.5, Bell Atlantic 24.5, Ministry of Posts and Telecommunications 51
Estonia	Eesti Mobiltelefon	Estelecom (Estonian PTT) 51, Swedish Telecom 24.5 Telecom Finland 24.5
Hungary	WesTel	US West 49, Hungarian Telephone Co 51
Latvia	Latvian Mobile Telephone Co	Swedish Telecom 24.5, Telecom Finland 24.5, Latvian State Radio and Televison Centre 23, VEF (electronics manufacturer) 23, Latvian Telecommunications Centre 5
Lithuania	Comliet	Millicom International Cellular 29, Telecom Denmark 20, Lithuanian Telecom 41, Antena UAB 10
Poland	Polska Telefonai Komorkowa	Ameritech 24.5, France Telecom 24.5, Polish PTT 51
Romania	Telemobil	Rom Telecom and Rom Radicom 51, Telefonica 49
Russia		
St Petersburg	Delta Telecom	US West 40, St Petersburg telephone authorities 60
Moscow	Moscow Cellular	US West 22, Millicom International 20, Ministry of Posts and Telecommunications 50, Eye Microsurgery Science and Technology Complex of Moscow 8
Ukraine	Ukraine Mobile Communications	Deutsche Telekom 16.3, Tele Denmark 16.3, PTT Telecom Netherlands 16.3, Ukraine PTT 51

All operators use the NMT-450 system. Source: Financial Times Mobile Communications

Asian demand seems insatiable, writes Mark Newman

Top of the growth league

IF you have flown from London to Hong Kong recently, there is a good chance that down in the hold your luggage was nestling next to a consignment of cellular telephones.

Exporting cellular telephones from the UK to Hong Kong and eventually China has become a lucrative sideline for cellular telephone dealers. Manufacturers already supply China directly, but demand far outstrips supply and dealers can make a lot more money selling a handset to a middleman in Hong Kong than to a UK mobile phone user.

The cellular telephone has become a symbol of China's dash for prosperity, like it was in London and New York. The brick-like mobile phone that Michael Douglas used on the beach at dawn in the film Wall Street is a small object of desire in the Guangdong province next to Hong Kong – in spite of the fact that Motorola of the US, the maker of the telephone, has since brought out lighter, smaller models.

China's cellular telephone users grew from 38,000 in January 1992 to 160,000 at the start of this year. There were over 200,000 subscribers by the end of June. All but five of China's 30 provincial state-owned telephone operators have cellular telephone networks, and the National Ministry of Posts and Telecommunications has been besieged with requests from the provinces to finance network expansion programmes.

So confident are they of future growth that leading cellular telephone suppliers such as Motorola, Ericsson and American Telephone and Telegraph have set up joint ventures in China to manufacture cellular telephone networks and handsets.

While China has been singled out by the leading telephone companies as one of the most significant markets in the 1990s, opportunities are presenting themselves throughout south-east Asia, particularly in mobile communications.

Licences to operate cellular telephone networks are being advertised in most countries in the region. Australia has awarded two licences within the last two years to operate digital networks based on the European GSM standard. A consortium of Cable and Wireless and BellSouth of the US won one licence, while the UK cellular telephone operator Vodafone is the largest foreign shareholder in the second licensee.

McCaw Cellular, also of the US, is a shareholder in the Smartcom consortium in Hong Kong, which opened the colony's fourth cellular network in the spring.

In Japan, the Tu-Ka and Digital Phone consortia which are building regional cellular telephone networks across the country, contain major Japanese industrial groups such as Nissan Motor and Toyota. BT, Cable and Wireless and Pacific Telesis are also shareholders.

A number of licence opportunities are still being contested. Binariang, a Malaysian industrial group which has been awarded a licence to operate a GSM network, is in discussions with a number of possible overseas partners. Thailand's cellular operator, Total Access Communications, is doing likewise. Vietnam is contemplating the award of a licence, while South Korea started a licensing procedure but failed to finish it after the winning bidder returned its licence following a change of government and allegations of corruption.

India awarded six regional licences last October, but a successful high court case brought against the adjudication committee by an unsuccessful bidder has threatened to overturn the awards.

During 1992, the number of subscribers to cellular telephone systems in the 12 largest south-east Asia and Australasia markets grew by 50 per cent from 2.7m to 4m, according to figures published by the FT newsletter, Mobile Communications.

It is the fastest-growing region in the world, outpacing Europe where the 12 largest markets grew by a comparatively sluggish 27 per cent, and the buoyant US market whose cellular population rose by 46 per cent over the course of the year.

Japan accounts for 40 per cent of subscribers in the region, but has grown more slowly than some other Asian markets. This may change with the launch of new regional services using digital technology, and a change in the law from April 1994 when, for the first time, subscribers will be able to buy mobile telephones rather than have to rent them.

Mr Andrew Bissex, who was posted to Hong Kong by UK cellular telephone group Vodafone to compete for licences, says any comparison between the markets for mobile communications services in Europe and south-east Asia is difficult. People do not seem to buy mobile telephones for the same reason as in Europe, he says.

"It doesn't seem to be related to tariffs," Mr Bissex comments. "It seems that the demand for cellular telephones is closely related to the size of the wealthy populations in urban centres."

Whereas in the UK, the majority of mobile phone users are tradesmen, in countries such as Thailand and Malaysia, a large proportion are traders. "They use cellular telephones because the local telephone service is so awful," adds Mr Bissex. "In many countries you can be kept waiting for up to six months for a telephone line."

Even when telephone lines are available, the quality of the service, particularly for international calls, can prove a headache. It is often easier to make an international call on a cellular phone where the operators have managed to secure preferential access to international telephone gateways.

In Hong Kong and Singapore, telepoint services – which only allow outgoing calls and cannot be used in cars – have been successfully introduced after failing to establish themselves as alternatives to cellular telephones in the UK and Germany.

Mr Bissex reckons this is due to the high population densities of these countries, which makes it relatively cheap for telepoint operators to build networks providing 100 per cent population coverage.

"In Hong Kong, you can clip a telepoint phone on your belt as you leave your apartment in the morning, and make calls as you walk to work and until you arrive at the office." The telepoint phone can then be converted into a high quality cordless telephone for which normal tariffs apply. "You can hardly imagine a similar sort of service being popular in Manchester," says Mr Bissex.

SE Asia and Australasia: cellular subscriber growth in the 12 largest markets

Country	Subscribers (January 1993)	Subscribers (January 1992)	Growth (%)
Australia	559,000	336,000	54
China	160,000	38,000	321
Hong Kong	233,000	180,000	29
Indonesia	31,500	16,000	97
Japan	1,614,700	1,251,000	29
Malaysia	207,000	135,000	53
New Zealand	93,900	69,200	36
Philippines	55,000	40,000	38
Singapore	111,000	70,000	59
South Korea	271,000	173,300	56
Taiwan	428,900	198,900	116
Thailand	256,800	154,000	67
TOTAL	4,021,800	2,688,400	50

Source: Financial Times Mobile Communications

Joia Shillingford on how new technology is likely to change employment practices

More workers will be flexible

MOBILE COMPUTING and communications are helping to fuel the boom in flexible working: Ms Amanda Lavery of Ovum, the technology research company, estimates that by the year 2000, the number of company-employed flexible workers (commonly called "teleworkers") will increase 20-fold – from the current 600,000 to 12m in the US and Europe. She defines flexible working as "any work carried out using a computer and/or telecoms, outside company-owned premises by a company's employees".

In a new report, Ovum estimates that the value of the market generated by flexible working in Europe and the US (including hardware and software sales, datacoms equipment and annual data traffic) will increase 30 times from $1.1bn today to $33.4bn by 2000.

These projections may seem wildly optimistic but a number of factors are driving the trend: the desire to bring sales and service closer to the customer; falling computer, software and telecoms costs; and the availability of new products which make it easier for mobile workers to keep in touch with the office. These products include:

■ Wireless access to in-house electronic mail. Using new Microsoft software, users need only plug a Mobitex radio modem into their portable PC to exchange messages with other Microsoft Mail users on their office local-area network. Data is transmitted over the RAM Mobile Data wireless network.

■ Computerised fax systems which allow remote access. For example, a system from Vienna-based Topcall enables users to go to any fax machine outside the office, dial in a 3-digit PIN number and get all their faxes for that day forwarded to them.

■ Personal communicators/personal digital assistants (PDAs), such as those from Apple, Sharp and Amstrad. These videocassette-sized computers can be used in conjunction with an optional modem to send or collect information from the company network. Apple (UK) is believed to be planning a link between its Newton PDA and the Rabbit network (not currently approved for data), which would provide a form of wireless data communications.

■ Devices for linking ordinary modems to mobile phones, so that portable computer users can send or receive data without going to a conventional phone. TeleAdapt, a UK-based company specialising in helping mobile workers communicate, has introduced a device that will connect any modem to the base of either an NEC P3 or OKI 900-series cellular phone. The US-manufactured device, called Axcell Cellular, works by making the modem believe it is connected to the standard telephone network.

A two-way link between service engineers and their base, reducing the time taken to respond to fault reports, is provided by the Emissary service from Cognito, which has a two-way text messaging facility

■ Answering services connected to pagers. BT has launched Response Master, a telephone answering service linked to a pager. The user is given two phone numbers: one made available to callers which acts as an answerphone; the other which allows access to stored messages. The user's pager bleeps when a message is left, but he or she can retrieve it at a convenient moment.

BT expects the service (which costs 54p a day including a simple pager) to be used by maintenance engineers. It saves engineers from having to break off a job to take a call, but the pager will bleep every two minutes until a new message is retrieved.

The number of products designed for flexible working is increasing as computer and telecoms companies realise the huge sales opportunity that has been created. A whole host of lighter, cheaper, more powerful and more energy-efficient portable computers has come to market, some allowing handwritten input via a "pen" stylus.

In addition, some suppliers are actively encouraging the spread of flexible working by supporting teleworking initiatives, such as the one-year Connected Community project. Backed by BT, Apple, the Department of Trade and Industry, and the Rural Development Commission, this involves equipping a "telecentre" in the small agricultural town of Kington, in Hereford and Worcester, with the latest technology, and studying its impact on the community.

But the trend towards flexible working is not being driven by technology alone. Ms Lavery says there is now a body of experience showing the kind of benefits teleworking can bring; as a result many large companies are actively looking at this area.

Some want greater organisational flexibility to respond to positive changes (such as an increase in new business) or negative changes (such as flood, fire or terrorist attacks on company premises). Mr Peter Thompson, co-author of Henley Management College's Future Work Forum survey, says: "The recent bombs in the City have highlighted the vulnerability of organisations that are all located in one place".

Concern about the environment is also helping to generate interest in flexible working. Thirty-five per cent of respondents to the Henley survey cited environmental issues (eg, reducing traffic congestion and pollution) as a driver for change.

■ Benefits. Some employers are deterred by the cost of equipping potential flexible workers with adequate hardware and software. But for those who are willing to make the investment, the benefits include:

● Cost savings in the long term. Hewlett-Packard was able to save $300,000 annually by equipping its maintenance engineers with flexible solutions.

● Improved accuracy. In California, police have been given pen computers which they can use to produce traffic citations. The software prompts the user with a checklist of questions such as "At what speed was he/she driving?" and "On which road?". Then, by checking the information against the central police mainframe, the software decides whether the driver has broken the law and, if so, what the fine should be.

● Increased sales. Drinks company Martini & Rossi increased its sales by 5-10% when its sales force could make on-the-spot quotations, using Poqet notebook computers and mobile printers.

● Staff retention and space savings. A scheme which allows any employee to work from home has helped the Trading Standards department at Oxfordshire County Council to cope with a 100 per cent increase in its workforce despite limited office space. It has also helped the department to hold on to its trading standards officers who, because of their specialist knowledge are in demand from employers, such as large supermarkets.

● Efficiency and customer satisfaction. At "white goods" supplier Seeboard, field service engineers have been given NEC briefcase faxes (which plug into portable phones) so that they can order spare parts in front of the customer or get call-out details without going into the office. The company expects increased levels of efficiency and customer satisfaction.

Nevertheless, a number of obstacles remain. According to Henley, the biggest of these are human factors. Half the respondents to its survey of 200 senior UK executives felt that middle management saw difficulty in controlling workers based outside the office.

However, Mr Keith Butterfield, manager of a teleworking pilot at ITSA (a UK government agency) believes good managers have nothing to fear. Based on his visits to US schemes he believes: "Good managers will manage teleworking well, but poor managers will need training and support to succeed.

■ Henley Management College has set up a Future Work Forum for companies interested in flexible working. More information on 0491 571454.

■ Flexible Working with IT: the Business Opportunity has just been published by Ovum at £725 ($1,345). For more information, contact Jennie Batchelor on 071 255 2650 or fax: 071 255 1995.

The writer is editor of the Financial Times newsletter Business Computing Brief

Telepoint technology in action: calls can be made within the radius of a public base station

Panasonic's GSM mobile phone

Catalysts face changing role

Service providers come under threat

THE ARRIVAL of digital cellular, the imminent launch of Mercury's One-2-One service and the need to widen the market for mobile communications have forced the UK's service provision industry to put on its thinking caps.

Service providers have long been accepted as the catalyst that sparked the boom in cellular radio in the UK, but their traditional role as the interface between the network operator and the customer is now under threat.

One service provider relishing the challenges of the future is North London-based Cellcom. An industry pioneer, Cellcom has been a service provider since cellular began in the mid-1980s. With turnover up 16 per cent to £32.7m in 1992-93 and margins up to 20.5 per cent, Cellcom is well placed to respond to the new networks and services.

The increased promotional activities of Vodafone and Cellnet have stimulated the UK cellular market. "Business has been exceptionally buoyant and we have had three record months," says Mr Jack Knight, marketing manager of Cellcom. "Churn remains about the same at around 2 per cent a month, but the growth has tended to put this into perspective."

Though Mr Knight sees some of the recent growth occurring among those who previously did not perceive mobile communications as an affordable product, he does not believe that the industry has turned the corner in terms of the true consumer market. "People's patterns of making telephone calls have not yet changed."

He has doubts as to whether the new Mercury One-2-One service, to be launched in London next month, will make a dramatic difference to the market. "To be a success, the new service will have to grow its own market sector. If all it does is take from the existing market, then it has failed. The launch campaign will help to raise awareness of personal communications but it has yet to be seen whether the timing is right or the product is viable."

He points out that the company has made a number of shifts of position on the market it proposes to address. "Mercury is clearly not, at this time, attacking the consumer, but is going for the small business market."

Britain's service providers have recently complained to industry watchdog Oftel about some of Mercury's proposals, particularly in relation to handset subsidies. Though the complaints are still being considered, Cellcom and other service providers have applied to Mercury to sell the new service.

The key to selling mobile communications in the mass market is tariffs. "Mercury's tariffs are well down on those currently being charged by the cellular operators but they are offering less," says Mr Knight. "However, the competition is not just Vodafone and Cellnet, it is CT2 Rabbit Telepoint and BT/Mercury. For the next stage of development the industry must address the running costs of mobile phones; this is the biggest single factor affecting penetration of the mass market."

One of the problems facing both the digital cellular services and Mercury One-2-One is that the UK analogue networks are still a major threat. The cost, variety and availability of analogue terminals and the range of facilities on offer far outstrip the offerings from GSM and PCN, and are likely to do so for some time.

Mr Knight sees GSM easing its way into the market and addressing niche areas where its special features, such as pan-European roaming and encrypted speech, are seen as benefits. "The UK does not have the problems of some European countries whose analogue networks were overcrowded or non-existent. The transition to GSM will be much more orderly. As UK users look to change their phones they will tend to migrate to GSM if it offers similar or better service."

GSM terminal type approval is still a problem and the industry is reluctant to oversell the service while this barrier exists. "It is important that customers understand the drawbacks as well as the benefits of GSM," says Mr Knight.

Overall, he welcomes the proliferation of new mobile services and networks. "The market needs more facilities and these developments strengthen the case for the service provider. The more networks there are, the more need there is for an independent agency able to stand between them and the customer. Why deal with five separate networks, offering five different services and five separate bills, when you can deal with one service provider, get all the services you want and pay a single bill? The concept of service provision holds up very well as the new networks come on stream – it's a one stop shop for both dealers and the public."

Ian Channing

Company Profile: NATIONAL POWER

Keeping down costs

NATIONAL POWER prides itself on having one of the most advanced information technology systems in the country. In computer networking the UK electricity company "is probably the leader in Europe", according to Mr Paul Miles, the company's IT department services manager.

Mobile communication services are used extensively by National Power. But the resources allocated to the services by the IT department are relatively small. Though 350 people work in IT, Mr Miles employs only one person to look after mobile communication services.

The company uses four different mobile communication services – on site paging, on site trunked mobile radio, radio-paging and cellular telephones.

There are on site paging and trunked mobile radio systems on most of National Power's 400 sites, with an average of 30 to 40 pagers and 25 to 30 trunked mobile phones per site. Both services link into National Power's private telephone network, which connects the 400 sites to the head office in Swindon.

National Power has 8,500 staff, of which 1,000 are located at head office in Swindon.

Cellular telephones are the company's most expensive item of mobile communications expenditure. National Power's 570 cellular telephones rack up an annual bill of just under £280,000, divided equally between monthly subscription and call charges. Its 300 radio pagers cost £60,000 a year in service and rental charges. Mr Miles acknowledges that cellular is an expensive system to use compared to the ordinary network.

In National Power's case, the cost to a departmental manager of supplying staff with cellular telephones is particularly high, compared to the fixed telephone network. No internal charge is levied for intra-company calls on the private network and "it comes as quite a shock for managers to see the size of the cellular telephone bills," says Mr Miles.

Cellular costs are kept down by the extensive use of a Cellnet service called Call Access. This allows National Power cellular telephone uses to make calls to head office or to any of the regional sites at roughly half the normal cellular telephone call rate.

To subscribe to Call Access, National Power has had to install a private circuit between its head office in Swindon and a point on the Cellnet network that connects into the BT system. All calls between National Power cellular subscribers and its head office and regional sites pass along the private circuit. Cellnet would normally have to route calls from its radio base station to the interconnection point on the BT network.

The speech quality of cellular telephones is "variable" according to Mr Miles. But National Power works very closely with Cellnet and its service provider British Telecom Mobile Communications to discuss black spots in the system. BTMC and Cellnet are "very responsive" says Mr Miles, and Cellnet has in the past acted on its recommendations to improve coverage in different regions.

National Power has four different accounts for its cellular activities, all of which are held with BTMC. But the four accounts are to be rationalised and the company has asked for new quotes from BTMC and other service providers. Large account holders such as National Power can usually obtain discounts of around 10 per cent from published tariffs on call charges and monthly subscriptions.

The majority of National Power's 570 cellular telephones are used by managers in Swindon who spend a lot of time travelling to and from sites, and by what Mr Miles describes as "technical doers". A small number – roughly 40 cellular telephones – are used by field service staff.

Budgeting for mobile communications services is done on a departmental basis. The job of the IT department is to provide an internal service to internal customers, and it is up to individual managers to decide what services they can afford.

All in all, National Power is satisfied with the mobile communications services it uses. New services such as the European digital GSM system and mobile data hold few attractions for the company, according to Mr Miles. "We do not see digital cellular as a need and the same goes for mobile data."

Mark Newman

Martin Dickson looks at the implications of the fifth largest takeover deal in the country's history

US market faces challenge of AT&T power

The immense potential of *the mobile communications industry* in the US has just been underlined by the $12.3bn *agreed takeover bid* for McCaw Cellular Communications, the biggest *operator in the cellular* telephone market, by American Telephone & Telegraph, the *largest US long-distance* carrier.

The takeover deal, the fifth largest in US history and the biggest in the telecommunications industry, will create an extremely powerful force in the booming cellular market, combining McCaw's entrepreneurial approach to business with AT&T's brand name and technological expertise.

The full bid takes the place of a deal announced last November under which AT&T was to have acquired a one-third stake in McCaw, with the option to take full control later, and the change reflects the difficulties that the two sides found in implementing the earlier plan and the commercial advantages of a full merger.

AT&T's eagerness to get into *the cellular market through* the McCaw acquisition, and its willingness to pay what the *market considers* a fairly full price, represents a powerful endorsement of the potential of *wireless communications in* both the US and around the world.

Mr Robert Allen, AT&T's chairman, has a vision of "anytime, anywhere communications". *That will* involve individuals having their own mobile personal communications numbers, which they will carry with them. They will be contactable wherever they are, thanks to a variety of new radio communications devices, including phones, personal pagers, fax machines, computers, video screens and devices combining several of these functions.

However, this vision is still a considerable way from fulfilment and faces numerous potential problems.

First, the US telecommunications industry has yet to turn mobile communications from a relatively high-priced business tool into an affordable mass-market one.

Second, cellular telephony has yet to become a particularly profitable business. The industry faces a heavy capital expenditure burden – some $11bn in 1992 – *as it expands its customer base* and moves from analog to much higher quality digital *technology.*

It also suffers high costs in acquiring new subscribers – *anything from $500 to $1,300* – and suffers from a 33 per cent churn rate – that is, the number of customers who move, change carriers, or cancel service in a year.

At *the same time, its* revenues per subscriber are dropping as it expands its customer base from deep-pocketed business customers into the much more price-sensitive consumer market. Average monthly bills have fallen from just under $100 five years ago to around $70 now. To boost profits, cellular companies may need to reverse this trend, or improve their operating efficiencies, or both.

Third, it remains unclear to what extent the cellular telephone industry will be complemented or challenged by a new system of radio telephony, called personal communications services (PCS), which should be in *operation in the US by 1995 to* 1996.

Fourth, a huge battle for *dominance of the industry* is developing between the various participants in the *rapidly converging* US telecommunications and television industries.

Still, there is no doubting the promise of mobile communications. The US cellular market has grown from virtually nothing in 1984 to more than 12m subscribers currently and *is adding 9,500* new subscribers every day.

EMCI, a communications consultancy, reckons there will be 14.4m US cellular subscribers by the end of 1993, with 17.7m by the end of 1995 and 25m by the end of 1996.

Local monopolies are concerned that AT&T will eventually be able to bypass their wires

The country also contains some 14m paging subscribers, and 1.4m users of specialised mobile radio, which provides businesses with mobile radio services to meet internal communications needs. Several *mobile satellite services are* also in the offing, aiming to provide wireless portable *phone services in areas not* reached by cellular.

AT&T's entry to the cellular *business has the rest of the* telecommunications industry worried on several counts. *First, it poses a challenge to* direct rivals in the cellular business, especially the *nation's local telephone* companies – the seven "Baby Bell" regional business and independent companies such as GTE.

When the US government set up a *cellular network* in the early 1980s it gave out just two licences in each area – one for the established local telephone monopoly and one for a new, independent rival.

McCaw, which build up a national presence by taking over many of these independents, is already a tough rival to local monopolies and the injection of AT&T's expertise promises to make it even tougher.

AT&T has one of the best-known and respected brand names in the US, which could help counter the cellular industry's lingering reputation for uneven service; it will be *able to package new services* combining long-distance and cellular operations; and the *computer intelligence* embedded in its network should enable it to offer a more *seamless and sophisticated national* service.

The local monopolies are *also concerned that it will* eventually be able to bypass their wires and link up cellular users with *the AT&T network,* depriving them of the huge access charges that long-*distance carriers pay to local* phone companies for completion of calls. The takeover will therefore be bitterly opposed by the Baby Bells and other local telephone companies.

It also poses a strategy challenge to MCI Communications, the second-largest long-distance carrier, which has no cellular interests at present. MCI does, however, have a war chest of cash, thanks to British Telecom's decision earlier this year to take a 20 per cent stake in the group, and some of this could be used for a cellular alliance.

An important new element in this struggle will be PCS, a new form of cellular communications, using inexpensive handsets and low powered micro-cell transmitters in office buildings and neigh*bourhoods, which promises to* bring wireless communications to the masses.

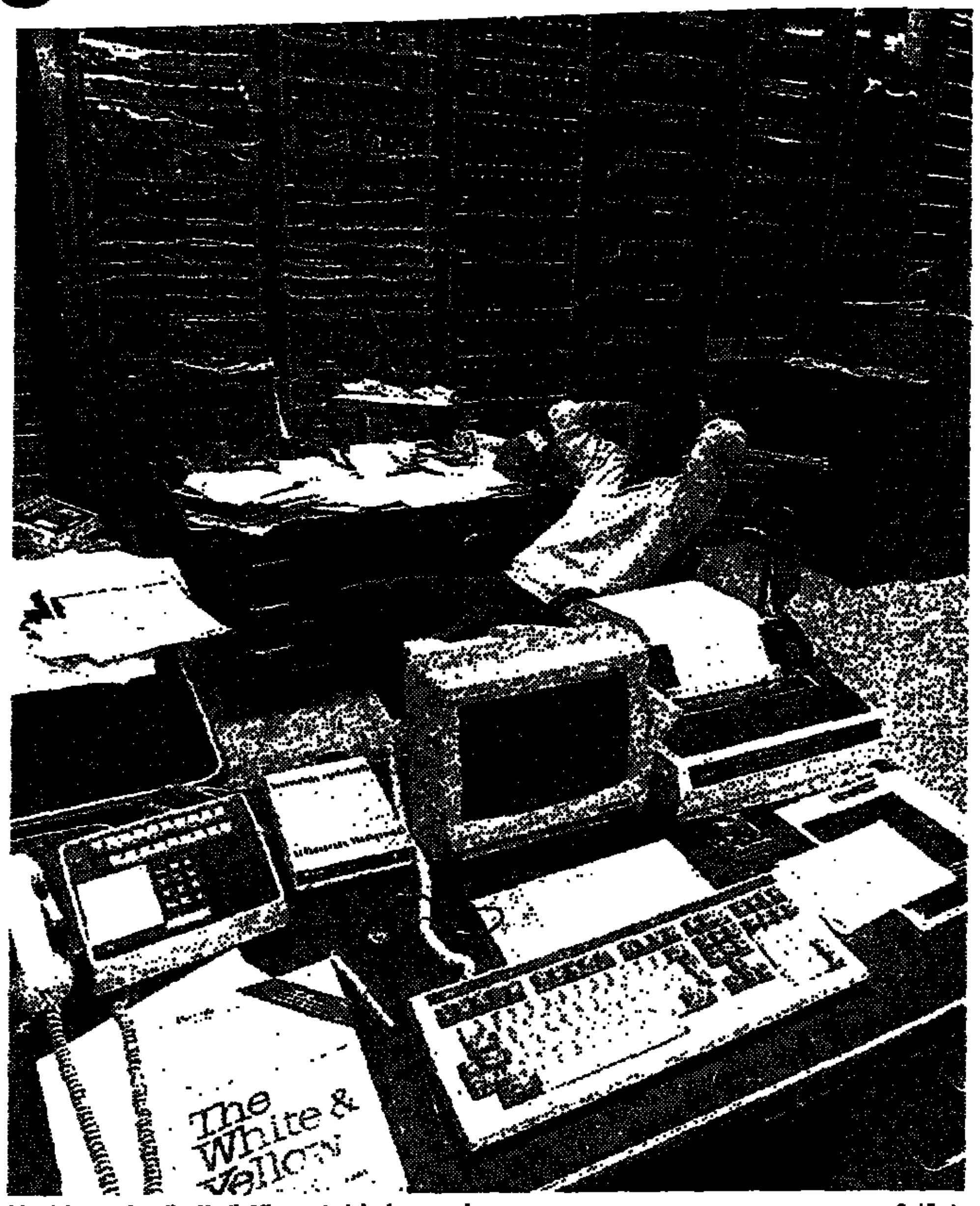
It could tap a vast new market. A 1991 study by Arthur D. Little, the management consultants, estimated that 10 years after PCS becomes universally available in the US, it could serve as many as 60m subscribers, producing $30bn to $40bn in annual revenues – provided the service was priced reasonably.

The Federal Communications Commission is expected to decide this autumn on several key PCS questions, including the rules for auctioning franchises. It has expressed a bias towards excluding existing cellular operators from bidding in markets they already serve.

The cellular industry seems bound to lose some customers to PCS, provided the latter service proves cheap. But PCS may well turn out to be *complementary to cellular,* rather than a direct rival, with the former used mainly by pedestrians and the latter by vehicle-based callers.

The PCS industry may be more fragmented than cellular – some three to five suppliers could be licensed in each area. But the companies which already have commanding positions in cellular seem certain to also be among the major players in PCS, thanks to their technical and *marketing expertise.*

Robert Allen, AT&T chairman (left), with Gilbert Williamson, the recently retired chairman of NCR, the AT&T subsidiary, examining the NCR 3170 which, when combined with AT&T's 3730 cellular phone and EasyLink services, provides mobile networked computing – any time, any place



It's all happening: the North Minnesota telephone exchange

Paul Forster

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COMPANIES & MARKETS

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INSIDE

Investors ponder Volvo's future

Shares in Volvo fell sharply on the Stockholm stock market yesterday as investors contemplated the company's future after the merger of its car and truck manufacturing operations with Renault, the state-controlled French automotive group. Page 18

Tough at the top in Canada

The Canadian recession has been hard on families that have long dominated the business landscape. One after another, they have been forced to part with some or all of their corporate treasures. Some empires have all but disappeared. Page 19

Citic forges ahead

Citic Pacific, the Hong Kong-listed arm of Beijing's China International Trust and Investment Corporation, yesterday announced a steep rise in first-half profits and an increase in the interim dividend. Page 20

Australian bank 8.4% up

Commonwealth Bank of Australia, the partially privatised, Sydney-based institution, yesterday reported an 8.4 per cent rise in full-year after-tax profits. Page 20

CRH announces rights issue

CRH, the Dublin-based international construction and building materials group, announced yesterday a one-for-five rights issue worth I£147m ($200m) to finance acquisitions over the coming two years. Page 22

Hillsdown profits fall, shares rise

Shares in Hillsdown Holdings rose 7p to 172p yesterday, although the UK food group said interim pre-tax profit fell 17 per cent. Sales increased by 10 per cent to £2.23bn ($3.36bn) principally because of the acquisition of a European chilled salads business. Page 22

IMI hit by European recession

The recession in mainland Europe and a loss in computing services affected IMI, the international engineering company, which reported a 3 per cent fall in pre-tax profits in the half year to the end of June. Page 23

Foreigners dig deep in the US

Foreign natural resource companies, particularly UK and continental European interests, have moved in in surprising strength to acquire US coal reserves. Page 26

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Aachen Mch	1275	+	30
Falls			
Berliner Bank	385	–	7.5
Continental AG	219	–	6
Goldschmidt	570	–	30
Herlitz	311	–	11
Volkswagen	361.5	–	10.5
NEW YORK ($)			
Rises			
Baroid Corp	8⅝	+	⅞
Total Pharm	21⅛	+	7⅞
Falls			
Adv Micro Dev	27½	–	1⅛
Battle Mountain	7⅞	–	1
Homestake Mine	18⅜	–	1⅝
Newmont Gold	40½	–	2⅛

PARIS (FFr)			
Rises			
Canal Plus	1324	+	20
Interbail	578	+	16
Falls			
Axa	1545	–	50
Cr Fonc France	1120	–	35
Gaumont	645	–	30
Lafarge Coppee	409.5	–	17.8
TOKYO (Yen)			
Rises			
Daiei Inc	1440	+	40
Ikegami Tsushin	1150	+	40
Falls			
Sanyo Pharm	1110	–	30
NGK Spark Plug	1020	–	40
Nintendo	9910	–	390
Seiyu	1420	–	50

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Adscene	187	+	12
Bailey (Ben)	29	+	3
Baldwin	81	+	5
Croda Int	330	+	19
European Motor	143	+	6
Excalibur	21½	+	3¼
Haemocell	143	+	8
Hillsdown	172	+	7
Indust Control	155	+	9
Office & Elect	89	+	6
Sage	304	+	25
Sharpe Fisher	123	+	13
Sleepy Kids	38	+	4
Telemetrix	183	+	7
Treatt	165	+	15
Usher (F)	118	+	7
Falls			
AAF	82	–	46
Fisons	170½	–	6½
Kynoch	38	–	9
Newman Tonks	154	–	6
Scholl	214	–	9
Securicor A	710	–	29
Tadpole Tech	280	–	16
Wilson (Conn)	192	–	7

Fisons seeks asthma drug links

By Paul Abrahams in London

FISONS, the pharmaceuticals and scientific equipment company, yesterday reported pre-tax profits for the first six months to June 30 at the lower end of expectations. Profits rose 5 per cent from £45.7m to £46.4m ($71m).

Group turnover rose 14 per cent to £651m, but was boosted by currency changes. The results were held back by a poor performance from the scientific instrument operations which fell into loss. Fisons's shares fell 6½p to 170½p.

Mr Mike Redmond, pharmaceuticals managing director, said Fisons wanted to license a number of asthma compounds. These included products at the end of the development process which could be co-marketed by Fisons. The aim would be to fill the gap left by Tipredane, the asthma drug halted in April.

Fisons was also looking to set up agreements to develop other compounds at earlier stages, said Mr Redmond.

Mr Cedric Scroggs, chief executive, said he still did not know when officials from the US Food and Drug Administration would visit the factory of Opticrom, the eye product. The treatment was withdrawn from the US in 1989 following FDA concerns over manufacturing procedures.

Cedric Scroggs: Opticrom's relaunch is less significant

The saga of Opticrom was a sad one, said Mr Scroggs, however, the importance of its relaunch was becoming increasingly less significant. Its US patents expire next September and the company has meanwhile formed a strategic alliance with Allergan, a US group, to co-market Opticrom's main competitor, Acular.

Trading profits at the pharmaceuticals division rose from £22.3m to £29.4m on sales up 22 per cent at £213.7m. At constant exchange rates, the sales rise was 6 per cent. Profits were helped by sales rises in the US and manufacturing savings, but were affected by health reforms in Germany and Italy, said Mr Scroggs.

Sales of Tilade, the new asthma product, rose 13.6 per cent. Mr Redmond said there had been 27,000 prescriptions for the product in the US in the six weeks after its launch in June.

Operating profits at the scientific equipment business fell from £17.1m to £13.2m. The instruments business made a loss of about £2m. Earnings per share were steady at 4.2p. The dividend was unchanged at 3.3p.

Lex, Page 16

Oil services groups in $850m merger

By Richard Waters in New York

ONE OF the most broadly-based groups in the global oil services business would be created by the planned merger, announced yesterday, of the Texas-based companies Dresser Industries and Baroid.

The all-share offer by Dresser, which values Baroid at about $850m, has been prompted by the growing demand from oil and gas producers for service companies which can carry out all aspects of an exploration or drilling project.

This practice of buying services as a package, which according to Dresser accounts for 20 to 30 per cent of the market, enables producers to hold down costs and shift more of the project management risk to service companies.

Dresser and Baroid said the services they offered were largely complementary, giving them a broad-based business able to compete with the industry leaders Schlumberger, Baker Hughes and Halliburton.

However, the combined company faces potential anti-trust problems because of the size of its prospective share of the drilling fluids market. Through Baroid and M-I Drilling Fluids, a company 64 per cent owned by Dresser, the two account for more than 50 per cent of the US and worldwide markets in fluids.

Dresser said that it would comply with any directions from the anti-trust authorities necessary for the merger to go ahead, including the disposal of part of the combined fluids business.

In most other respects the Houston-based Baroid, with turnover last year of $614m, two thirds of it overseas, will extend the range of services offered by Dresser, which in 1992 reported post-tax earnings of $121m on sales of $3.8bn.

Directional drilling and measurement-while-drilling services, provided by Baroid's Sperry-Sun subsidiary, and remote-controlled submarine services both extend Dresser range.

Based on projected earnings from Baroid next year of 45 to 50 cents a share (from 24 cents in 1992 and a projected 35 cents this year), the merger would be only very marginally dilutive to Dresser shareholders, analysts said. Few cost savings are expected from the merger, though Dresser said the reduction in central overheads would cut costs by $12m to $15m a year.

Meanwhile, the development of integrated service companies could lead to an overall reduction in revenues for the sector. Mr Jim Carroll, an analyst at Paine-Webber, commented: "It's a very good deal for the oil companies. By getting one company to cover all the services, they can achieve big discounts."

Dresser shares fell $⅝ on the news but had recovered by mid-day, when they down only $⅛ from last Friday's close at $22⅝.

Baroid's share price jumped by $⅞ to $8½.

Japan's steelmakers face lean years if there is no domestic recovery, writes **Robert Thomson**

High price to pay for drifting off course

A decade of diversification has led Japanese steelmakers back to where they began, confronted by declining demand for core steel products, a bloated workforce, and the prospect of several years of red ink.

In forecasting a loss for the year, Nippon Steel, the world's largest steelmaker, admitted yesterday that a restructuring begun in the mid-1980s, in response to rapid yen appreciation, had drifted off course during the so-called "bubble" era of the late 1980s.

The yen has strengthened this year, but the diversification projects intended to carry the steel industry through the difficult times have become a heavy burden. Nippon Steel and other leading makers expanded well beyond their expertise into bicycles, leisure industries, including an artificial beach and ski slope, burglar alarms and a mushroom farm.

Many of these projects were affordable as long as sales were rising for steel products, which profited in the late 1980s from an unexpected surge of orders from the construction, car and electronics industries. From a low of 98m tonnes in 1986, crude steel production rose to 110m tonnes in 1990, distracting the companies from their longer-term decline.

But the good times are definitely over. Crude steel production last year slipped back to 98m tonnes and demand is still falling from traditional customers within Japan. Even exports to China, which doubled in the first half, are fading as a result of Beijing's attempts to slow its speeding economy.

Mr Shigeru Omori, Nippon Steel's vice-president, said "flagging corporate capital investment" and the yen's strength would lead to an "inevitable" Y15bn ($144m) pre-tax loss in the six months to the end of September. The loss would be greater, he admitted, but for the company's decision to realise profits from its securities portfolio.

Nippon Steel will skip its interim dividend payment for the first time since 1987, while the other four big makers, NKK, Kawasaki Steel, Kobe Steel and Sumitomo Metal Industries are expected to revise their profit forecasts on Friday. Mr Minoru Udono, steel industry specialist at James Capel Pacific, said the leading companies may face two or three years of losses, unless there is a strong domestic recovery.

"The dividend decision by Nippon Steel is a bad sign. It means they are not expecting to return to profits very quickly," Mr Udono said. "The unprofitable diversifications must be ended. The diversifications have been doing worse than the steel business. They face very difficult decisions on reducing their workforces."

Mr Udono estimates that the steel industry has a 17 per cent surplus of workers, but does not have the funds to establish new non-steel subsidiaries in which to park them, as is traditional in Japan. Nippon Steel hinted yesterday that it would cut administrative staff to reduce costs, and other makers may be forced to do more than allow workers to retire voluntarily.

Kawasaki Steel said earlier this week that about 200 workers between the ages of 20 and 30 would be transferred from steelmaking to other companies in the group. Most transfers in Japan are of workers over the age of 45, who are put out to pasture in affiliates or subsidiaries.

Japanese media interpeted the decision as a sign that other companies in the group did not want the middle-aged middle managers, but would take lower paid, younger staff. Kawasaki Steel said the programme was intended to "strengthen the management of group companies".

Kawasaki's response reflects the industry's sensitivity to suggestions that Japan's lifetime employment system could crumble in the steel industry. But a call last month by Nippon Steel for a cut in salaries is an indication of the extreme pressure on steelmakers to reduce costs.

Cost-cutting is needed partly because the companies are facing an increase in depreciation charges, another by-product of their investment binge during the "bubble days". At Kawasaki, capital spending rose from Y72.8bn in the year to March 1989 to Y184.8bn in the year to March 1991.

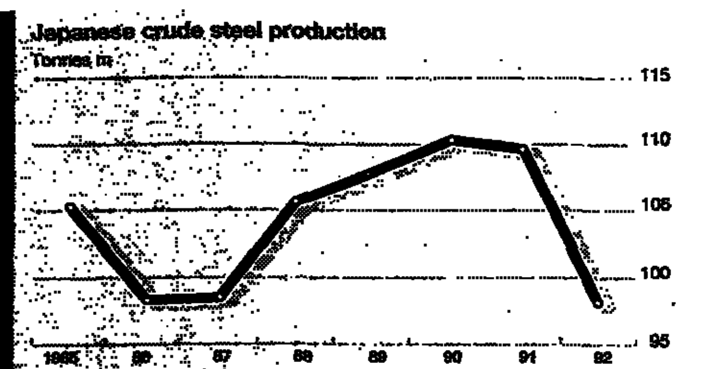
These investments gave the company new plant and equipment just as the economy was slowing. Capital investment was trimmed in the year to March 1993 to Y139.8bn, but depreciation charges in the same year were Y121.1bn, rising from Y117.1bn and Y102.4bn in the two preceding periods.

Other leading makers are cutting back on capital spending. Kobe Steel, for example, has already revised its long-term management plan, originally drafted in December 1991. Capital spending over the next three years is estimated at around Y60bn annually, down by about half from the 1990-1992 period.

If domestic recovery does not come quickly, the steelmakers may have to abandon part or all of their most cherished diversification, the group excursion into electronics. All five leading steelmakers are making semiconductors or computer-related equipment, and must decide whether they can afford the enormous outlays needed to keep pace in these industries.

Kobe, in its December 1991 plan, predicted that the electronics and information division would account for about 13 per cent of sales in the year to March 1996. In June this year, that target was revised down to 9 per cent.

The steelmakers have always seen themselves as the producers of Japan's "industrial rice", and their interest in semiconductors was prompted by the belief that this sector would provide the "industrial rice" of the future. For this year, at least, the harvest does not look promising.



Nippon Steel	1988	1989	1990	1991	1992	1993	1994
Sales Yen bn	2,370	2,840	2,970	3,210	3,230	2,950	n.a.
Pre-tax profits (loss) Yen bn	66.8	122.2	134.7	138.7	100.2	28.9	(15.0*)

Fiscal years ending March. *Company forecast

Nippon Steel forecasts loss

NIPPON Steel, the world's largest steel company, yesterday announced that it will post at least Y15bn ($144m) in pre-tax losses for the year because of the prolonged economic slump and the sharp appreciation of the yen, writes Emiko Terazono in Tokyo. The company had earlier hoped for a pre-tax profit of Y20bn.

Other leading steelmakers, Kobe Steel, Kawasaki Steel, NKK and Sumitomo Metal Industries, are scheduled to make similar announcements this Friday.

Japanese steelmakers have been hit by the sharp fall in steel sales to leading customers, especially in the car, electronics and construction industries. Nippon Steel said it had set up a task force to work out a restructuring programme to reduce administrative staff in its steel divisions.

Nippon Steel plans to cut some of its losses by selling securities. It will skip its interim dividend. For the first six months to September 1992, the company paid an interim dividend of Y3 per share. Sales for the first half are expected to fall 8 per cent to Y1,090bn.

The company revised its forecast for the half year down from a Y5bn loss to a Y15bn loss. Mr Shigeru Omori, vice-president, said: "It seems difficult for the business environment to improve in the latter half. The best our company can hope for is to post no profits but no losses either in the second half of 1993/94."

At the beginning of the year in April, steelmakers forecasted losses for the first half but had hoped that a forecasted recovery in the economy would support corporate earnings for the year.

For the year to last March, Nippon Steel saw its annual pre-tax profit plunge by 71.2 per cent to Y28.9bn. The company is working on a three-year cost-cutting plan reviewing its 1980s diversification programmes.

Belgian state savings bank unlikely to opt for flotation

By Andrew Hill in Brussels

THE PROSPECT of a BFr25bn ($700m) stock market flotation of ASLK-CGER, Belgium's state-owned savings bank, is fading, according to Belgium's biggest bank.

Générale de Banque had offered to pilot ASLK-CGER on to the Belgian stock market in a British-style public offer of shares. But Mr Ferdinand Chaffart, Générale's chief executive, said yesterday that he "seriously doubted" if the bank's proposal would be accepted.

Générale de Banque announced that consolidated net profits had increased by 10 per cent to BFr5.8bn in the first half of 1993, against BFr5.28bn in the first six months of last year. The group said second-half net results should be in line with the first half.

The bank believed a high-profile sale of shares in ASLK-CGER – the first stage in a four-year BFr70bn privatisation programme – would have attracted Belgium's private investors. "I think [the Belgian government] has missed a great opportunity to do something for the stock exchange," said Mr Chaffart.

In theory, the bank's proposal for a public offer is still on the table. But Générale said it now seemed more likely that Fortis, the Dutch-Belgian financial services group, would buy a significant stake in ASLK-CGER. The Belgian government expects to raise about BFr25bn from the sale of a 49 per cent holding in the savings bank, which has an extensive network of banking and insurance branches.

Gross profit at Générale de Banque rose 38 per cent from BFr16.63bn to BFr23.02bn in the first half, helped by strong capital gains on government bonds and a BFr2bn gain on the sale of shares in ABN Amro, the Netherlands' largest bank.

Mr Chaffart said that in view of the depressed economic situation, the bank had decided to transfer most of those capital gains to reserves. Depreciation charges and provisions against bad debts increased from BFr7.64bn in the first six months of last year, to BFr12.52bn. The group's customer deposits increased 7 per cent to BFr2,227bn and total assets rose 8 per cent to BFr3,627bn.

● Gevaert, the Antwerp-based financial holding company, increased interim net consolidated profits from BFr1.12bn to BFr1.56bn in the six months to June 30. The company said it expected to match last year's current earnings of BFr1.64bn.

GM to reduce workforce at Opel plants by 8.6%

By Kevin Done

GENERAL Motors is reducing the workforce of its Opel/Vauxhall car and light commercial vehicle operations by 8.6 per cent, or 7,830 jobs, this year. Staffing levels have been battered by the steep fall in new car demand, Mr Louis Hughes, president of GM Europe, said yesterday.

Hourly-paid jobs at GM Europe's plants - chiefly in Germany, Belgium, the UK, Spain and Austria - are being reduced by 9.2 per cent, to around 68,000 from 74,929 in 1992. Salaried jobs, meanwhile, are being cut by 4.2 per cent to 15,700 from 16,600.

By the end of this year, the number of hourly-paid jobs will have been reduced by 13.3 per cent, from a peak of 78,390 in 1991. Mr Hughes warned yesterday the workforce would be cut again next year, "with some significant numbers".

Mr David Herman, chief executive of Opel, GM's German subsidiary, said Opel had operated profitably in the first half of the year. However, he warned: "It will be difficult to stay in the black for the remainder of the year."

GM Europe overall would "earn a significant profit" in 1993, however, said Mr Hughes. He claimed GM Europe again had the strongest financial performance of the big six volume carmakers in Europe, and would perhaps be "the only one in profit".

He forecast a strong profit recovery in 1994 attributable to measures already taken this year to improve productivity and cut the workforce. "We are relentlessly pursuing cost-cutting," he said.

GM Europe is forecasting a drop of 17 per cent in new car sales across western Europe this year, to 11.2m from 13.5m in 1993, with only a marginal recovery to 11.5m next year.

Mr Herman said the decline in the German new car market had apparently "bottomed out," but there had not been "a clear turnround in sales".

"We expect the market will increase slightly in the second half of 1994," he said. Both German new car sales and production were forecast to fall by 20 per cent this year.

Productivity at Opel's German plants improved by 7.5 per cent last year, and the company was seeking a similar improvement in 1993, he said.

GM was seeking to turn the Opel brand into an international make. Opel sales outside western Europe were forecast to jump to close to 140,000 next year from 90,000 in 1993 and 40,000 last year.

GM began the assembly of Opel cars in Taiwan earlier this year and plants are to follow in Indonesia and India. In the longer term, this project could be followed by plants in Thailand and Malaysia.

Chrysler unveils new range of small cars

By Kevin Done, Motor Industry Correspondent, in Frankfurt

CHRYSLER, the US carmaker, yesterday unveiled at the Frankfurt motor show a new range of small cars. Called the Neon, the range has set new standards in the US industry for efficiency in development and engineering.

The Neon was developed in 31 months, from design approval to first production, Mr Robert Lutz, Chrysler president, said yesterday. He said development time had been cut from the 40 to 48 months required by most carmakers in Europe and North America.

Chrysler, which has staged a dramatic financial recovery in the past two years, has also cut significantly, to only $1.3bn, the investment needed for the Neon project. Its development has included four-door and two-door body styles, a new engine and transmission, and investment in two production plants in Belvidere, Illinois, and Toluca, Mexico.

Production of the Neon range, which is set to transform Chrysler's presence in the US small car market, will begin in November. It will be launched in the US market in January, and in Europe in April.

Mr Lutz said the programme proved it was still possible to develop and produce a small car in the US, and without the support of a Japanese partner.

Chrysler returned to the European market in 1987 with the sale of vehicles exported from North America, following its ignominious withdrawal from manufacturing in Europe in 1978, when the group was on the brink of financial collapse.

Chrysler sales in Europe have risen 36.6 per cent, to 41,376, in the first eight months. This almost equals the total for last year in spite of the steep 17 per cent decline in total west European new car sales.

Mr Robert Eaton, Chrysler chairman, forecast that sales in Europe would continue to grow at around 20 per cent a year in the medium term.

Volvo emerges playing new role

The Renault deal has transformed the group, writes Hugh Carnegy

Shares in Volvo fell sharply on the Stockholm stock market yesterday as investors contemplated the company's future after the merger of its car and truck manufacturing operations with Renault, the state-controlled French automotive group.

Volvo's most-traded B shares closed at SKr458, down SKr25 from the close on Monday of SKr483. Before the merger was announced, the shares stood at SKr490.

Analysts said the tumble was partly due to worries about the complexity of the deal, which would leave Volvo with a 35 per cent share of a new Renault-Volvo company and the French government with 65 per cent until a planned privatisation issue. "It is the old story of buy on the rumour and sell on the fact," said one analyst.

A more significant concern, however, was over the shape of the Volvo parent group after the merger is completed early next year. By placing its core motor industry operations into a junior partnership with Renault, Volvo has in effect transformed itself into a kind of holding group with a large number of diverse interests.

"A lot of people are looking at Volvo now as an investment company that will trade at a discount to its net asset value," said Stefan Hansson of Enskilda Research.

Post-merger Volvo will certainly play a different role to its traditional one as Sweden's best-known industrial concern focused on motor manufacturing. Aside from the 35 per cent stake in Renault-Volvo, its main interests will, by next year, be a 100 per cent share in Branded Consumer Products (BCP), and a 25 to 35 per cent share in Pharmacia, the respective food and pharmaceutical offshoots of the soon-to-be-split Procordia.

"The motor company Volvo has, in point of fact, suddenly become an investment company in which the biggest subsidiary makes cigarettes, beer and food," said Svenska Dagbladet, the conservative Swedish newspaper, on its front page yesterday.

Mr Pehr Gyllenhammar, Volvo chairman, prepared the way for this when he struck a deal earlier this year with the Swedish government on the break up of Procordia, which is controlled jointly by Volvo and the state. The government is to hand over its share in BCP direct to Volvo and is committed, when it privatises Pharmacia next year, to leaving Volvo as the biggest shareholder.

Last year Mr Gyllenhammar also appointed as Volvo chief executive Mr Sören Gyll, hitherto Procordia's chief executive. When the Renault and Procordia deals are complete, Mr Gyll will again find himself largely concerned with his old companies as day-to-day control of Renault-Volvo will be held in Paris.

Volvo will also wholly own Volvo Penta and Volvo Flygmotor, the marine and aero engine companies excluded from the Renault merger agreement. In addition, it will have eight further interests ranging from 100 per cent of the brokers Alfred Berg, through shareholdings in Custos and Cardo, two investment companies, and a 25 per cent stake in a property company.

Most analysts expect Volvo to seek to rationalise its holdings around the Renault-Volvo and Procordia holdings, easily the biggest and most valuable of its interests. "I believe we will see a lot of divestments in the next couple of years. The main task for Sören Gyll is to see that Volvo gets a clearer structure. There may even be some new investments made," said Bo Engström of James Capel.

Eventually, some believe, BCP - the Procordia food unit whose principal attraction to Volvo at present is strong cash flow - will be sold. That would leave Volvo's central interests in Renault-Volvo, Europe's second largest automotive company, and Pharmacia, Europe's eighth largest pharmaceutical company.

Williams Holdings hints at disposal of two businesses

By Roland Rudd in London

WILLIAMS Holdings, the UK industrial conglomerate, is to focus on three of its five core businesses with the clear implication that engineering and electronics are up for sale.

The new strategy was outlined by Mr Nigel Rudd, chairman, as he unveiled static pretax profits of £76.4m ($115m), against £76.2m last time, for the half-year ending June. The shares fell 7p to 326p.

Williams is to concentrate on building products in Europe and the US and fire and safety where many of its brand names, such as Yale & Valor and Thorn Fire Protection, are market leaders.

However, engineering and electronics, which suffered profit falls and account for around 10 per cent of the group's revenue, are understood to be prime candidates for disposal. Many of their businesses are only number two in the market. The desire to dispose of non-market leaders was one reason which prompted Williams to sell Crown Berger paints in 1990.

Mr Rudd, while declining to comment directly on the future of engineering and electronics, said: "We are focusing on three core businesses which we expect to grow organically and through bolt-on acquisitions."

Borrowings have increased to £210.5m from £161.9m, representing gearing of 56 per cent. The rise in debt is mainly due to acquisitions.

Williams has been looking at possible acquisitions with a price tag of up to £300m on both sides of the Atlantic. Mr Rudd singled out Germany as offering interesting buying opportunities.

Mr Roger Carr, managing director, said: "Our investors have told us, without exception, that they will support the right deal."

Operating profit rose by 8 per cent to £86.4m on sales of £589.9m, up from £493.8m. Last year's pre-tax profits benefited from an exceptional £6.1m, which included the disposal of its Racal shareholding.

European consumer and building products saw operating profits rise to £36.2m from £32.2m on the back of a strong performance from DIY products.

North American consumer and building products, benefiting from cost reduction and the stronger dollar, increased profits to £25.1m from £20.7m.

Fire and safety's profits rose to £20.2m, against £17.5m, excluding a four-month contribution from Thorn Fire Protection which was acquired earlier this year from Thorn EMI.

Profits from electronics and engineering fell to £1.6m from £5.6m and £3.3m from £4.3m respectively.

Earnings per share fell to 8.4p from 9p, although excluding exceptionals earnings rose from 7.7p. The interim dividend is maintained at 5p.

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MGN close to cost-saving deal with Maxwell companies

By Andrew Jack in London

MIRROR GROUP Newspapers has provisionally agreed to settle a series of legal claims with the private companies in the empire of the late Mr Robert Maxwell which will save it nearly £70m ($105m) in tax and costs.

A circular distributed to MGN shareholders yesterday recommends approval of a deal which would waive future litigation and require the group to pay out cash of less than £3m.

The agreement removes the potential for long and uncertain court action and may help ease the sale of the 54.8 per cent of MGN shares currently held by the private Maxwell companies.

Under the plan, MGN will abandon potential net claims of at least £130m against the private companies in connection with money siphoned off by Mr Maxwell.

However accountants at Arthur Andersen, who are the administrators to the private companies, will in turn waive counter legal actions against MGN and allow it to release £19m in provisions.

In exchange for a payment of up to £2.8m, MGN will be assigned losses from the private companies which will reduce its tax bill by up to £56m for the period 1989-91.

Sir Robert Clarke, chairman of MGN, said: "The directors have concluded that the benefits ... and removal of uncertainties significantly outweigh any benefits which might accrue from pursuing large but potentially difficult and uncertain claims."

The shareholder circular says the money on which MGN could claim from the private empire includes £80m owed to it by Robert Maxwell Group, £30m from London and Bishopsgate Group, and £20m from Bishopsgate Investment Trust.

However Mr John Allwood, MGN finance director, said since the private companies are heavily insolvent, any eventual payments would be unlikely to exceed 6p in the pound on the value of the claims.

He said MGN would be able to reduce its provisions relating to the misappropriated funds, from £50m to £35m, as a result of the settlement, and release up to £4m in tax provisions.

The agreement proposes that Robert Maxwell Holdings, one of the private companies, will split equally with MGN up to £10m of any costs in connection with a claim brought against the empire by Banque Nationale de Paris over a lease at Worship Street in London.

The settlement does not cover outstanding litigation on a lease at Orbit House in London, and several insurance policies concerning Mr Maxwell.

New interest in Bermuda reinsurance

By Richard Lapper

AON Corporation, the Chicago-based insurance group, and CNA Insurance and Corporate Partners, an investment affiliate of Lazard Freres, are to launch a new Bermuda-based reinsurance company, underlining growing interest among international insurers in the island as a centre for reinsurance.

More than $3bn of capital has been invested in Bermuda since June. Both SCOR, France's biggest reinsurer, and Centre Re, a subsidiary of Switzerland's Zurich Insurance, are planning ventures.

The new company will bring at least $200m to Bermuda. Mr William Adamson, group vice-president and chief operating officer of CNA's reinsurance, will act as interim chief executive. Initially the company will focus on property catastrophe reinsurance and other "niche opportunities".

INTERNATIONAL COMPANIES AND FINANCE

Heinz surprises Wall St with rise in first quarter

By Karen Zagor in New York

H. J. HEINZ, the US food group, yesterday surprised Wall Street by posting improved earnings for the first quarter.

For the three months to July 28, Heinz posted net income of $152.3m, or 59 cents a share. A year earlier the company had underlying earnings of $143.8m, or 55 cents, before charges for accounting changes of $133.6m, which reduced reported net income to $10.2m, or 4 cents.

Sales edged slightly higher to $1.58bn in the latest quarter from $1.56bn a year ago.

On Wall Street yesterday, shares in Heinz rose $¼ to $37⅝ before the close.

In recent weeks the stock price has slumped, reflecting investors' concern that the food industry might suffer from a price war similar to the battle which has depressed cigarette prices in the US.

Most analysts had expected Heinz to earn 57 cents a share in the latest quarter.

The Pittsburgh-based company said its pet food products posted volume gains in the latest quarter, as did its Ore-Ida food industry potatoes, especially in the UK, Italy, Spain and central Europe. However, these gains were offset by volume declines in its StarKist tuna, Weight Watchers frozen food and Heinz grocery ketchup products.

Sales were lifted by a 1.3 per cent increase in prices in the latest quarter and by the acquisition of the Wattie's Limited business in New Zealand, which lifted sales 6.3 per cent.

The benefits of the Wattie's acquisition was offset by the impact of a stronger US dollar against most currencies.

Mr Tony O'Reilly, Heinz chief executive, said he was pleased with the latest results, "given the current economic environment in the US and overseas".

In June, Heinz said it would take a $192m pre-tax charge against fourth-quarter earnings to cover a number of cost-cutting measures including an 8 per cent workforce reduction and a cut in its UK operations.

Mr O'Reilly said the restructuring charge would hasten productivity improvements and concentrate a three-year rationalisation programme into 12 months.

But analysts saw the move as further evidence of the intense competition in the retail sector which is putting pressure on the big consumer products companies.

Tax credit helps JCI hold earnings for year

By Philip Gawith in Johannesburg

EXTERNAL factors in the form of favourable tax changes and a one-off dividend helped Johannesburg Consolidated Investments, the mining house, to record largely unchanged earnings in the year to June.

The dividend was maintained at 132 cents per share on attributable earnings of 293 cents per share, against 298 cents last time. Equity accounted earnings rose slightly to 394 cents from 388 cents.

Mr Pat Retief, chairman, reported that at the trading level the group had experienced another difficult year. Pre-tax profit fell by 10 per cent to R415.7m ($123m) from R463.8m.

A R21m tax credit, however, boosted attributable earnings which, at R433.2m, were only marginally lower than 1992's R439.4m. Earnings also included a liquidation dividend from DAB Investments of about R22m.

Equity accounted earnings rose to R582.4m from R571.9m, largely as a result of a R26m benefit from an adjustment to deferred tax provisions.

For the second year in succession the portion of JCI's earnings derived from mining fell – to 36.4 per cent, or R212.1m, of the total from 42.4 per cent, or R242.8m.

The group again earned more from its industrial and property interests which are mostly unmanaged. They contributed 39.7 per cent of earnings, or R231.7m against R259.3m last time. Most of the balance of income was in the form of fee income.

Mr Retief said the contribution from platinum – JCI controls Rustenburg Platinum, the world's largest producer – had fallen for the third year in succession. It contributed R85.4m, or 14.7 per cent of earnings.

The gold division did well to more than double its contribution, while income from diamonds, mostly trading interests, rose. Mr Retief said coal, in which the group has invested more than R500m in recent years, continued to be a "major disappointment".

On the industrial side, CMI, the ferrochrome producer, was hardest hit by recessionary conditions and made a substantial loss. Motor group Toyota also had a difficult year.

Best performances came from publishing group Argus, South African Breweries, and the Premier Group in particular, where earnings rose by 16 per cent.

Canadian groups loosen family ties

Bernard Simon *looks at empires parting with corporate treasures*

FACING each other across Phillips Square in downtown Montreal are the flagship branches of two of Canada's most venerable retailers: The Hudson's Bay Company department store and Henry Birks & Sons, fine jewellers.

Birks and The Bay were for many years among the country's best-known family businesses. Montreal's upper-crust Birks family had presided over the jewellery chain for 114 years. The Bay, whose roots go back to the 17th century fur trade, was 65 per cent owned by Mr Ken Thomson, son of Lord Thomson of Fleet, the publishing magnate.

However, both companies have recently loosened their family ties. Last November, Mr Thomson sold more than half his Hudson's Bay shares to public investors for C$545m (US$410m), leaving him with only a 25 per cent stake.

Birks, strapped for cash and under court protection from its creditors, was rescued earlier this year by Borgosesia, the Italian luxury goods group.

The recession has been hard on families that have long dominated Canada's business landscape. One after another, they have been forced to part with some or all of their corporate treasures. Some empires have all but disappeared.

A group of international banks has ousted Paul, Albert and Ralph Reichmann from the helm of Olympia & York, the property developer which filed for bankruptcy protection last year. O&Y is now being gradually dismembered.

The empire controlled by the Toronto branch of the Bronfman family has fallen victim to the plunge in North American property values.

Brothers Peter and Edward Bronfman have pruned their corporate tree in the past six months. They have sheared away about C$4bn worth of assets, and stand to lose control of Trizec, North America's biggest publicly-traded property developer, under a debt-relief plan filed in early August. Edward Bronfman has substantially reduced his interest in key holding companies.

The Southam family has relinquished control of Canada's biggest newspaper chain. Failure to control labour costs and weak management pushed Southam into losses of more than C$400m in the past two years. The company is now controlled by Mr Conrad Black, proprietor of the UK's Telegraph group, and by Power Corporation of Montreal.

The Steinberg supermarket chain, once Quebec's biggest and most innovative food retailer, has disappeared. It was weakened by slipping market share, high labour costs and dissension within the founding family after the death of patriarch Mr Sam Steinberg.

Even among the surviving family businesses, some have shrunk, while others are financially weakened or riven by discord. A struggle surfaced last month between Wallace and Harrison McCain over control of McCain Foods, the international potato-chip and frozen-food group based in rural New Brunswick.

The break-up of so many family empires has far-reaching implications for Canadian business. Some of the country's biggest companies now find themselves without a controlling shareholder, leaving them vulnerable to takeover.

The contraction of the family fortunes is a blow to national pride. The thought of Birks Jewellers falling under the sway of an Italian company sends shivers down many a genteel Anglo-Canadian spine.

The break-up of so many family empires has far-reaching implications for Canadian business. Some of the country's biggest companies now find themselves without a controlling shareholder.

"It's sad in terms of a nation's life," says Mr Peter Newman, who has chronicled Canada's business families in several books. "If you were involved in the local community, you could depend on these companies because they had a feeling for the country."

The growth of the family-owned business in Canada was spurred by lax competition laws and disclosure requirements. A strong, nationwide banking system also nurtured many family empires.

Not all Canada's blue-blood families have fallen on hard times. Many have managed to ride out the storms; some are even prospering.

Now that the Reichmanns have lost control of their family business, the wealthiest Canadians, according to Forbes magazine, are Mr Thomson (who still controls an international publishing, travel and property empire) and the secretive Irving brothers, James, Arthur and John, whose fortune centres on oil, gas and forest products in Canada's Atlantic provinces.

The Bata shoe empire remains intact, as does the food, supermarket and forestry group controlled by Mr Galen Weston and his family. Mr Conrad Black's wealth has grown appreciably since he bought control of the UK's Telegraph group in 1985. His stake in Hollinger, the company which holds his publishing interests, is currently worth about C$242m.

On balance however, family money carries less clout than it used to. Mr Jim Muir, director of research at Richardson Greenshields, a (family-owned) Toronto securities firm, notes that much of the power in Canadian business has shifted to professional money managers at pension funds, mutual funds and portfolio management companies.

Under pressure from these institutional investors, the old practice of stuffing boards of directors with the controlling shareholder's family and friends is gradually waning.

The shift of power is also evident in more subtle ways. The Globe & Mail and the Financial Post have dropped their social gossip columns. Could there be a more telling sign that the influence of the monied families which used to dominate these columns, and the public's interest in them, is ebbing?

NEWS DIGEST

Laurentian Bank improves 2% to C$10.4m

LAURENTIAN BANK reported third-quarter net profits of C$10.4m (US$7.8m), up 2 per cent from a year earlier, and for the nine months C$26.1m, down 9 per cent, writes Robert Gibbens in Montreal.

Earnings per share in the latest quarter were 48 cents against 53 cents, and in the nine months C$1.22 against $1.53. The average number of shares outstanding was 18m against 15.5m, due to expansion and acquisitions.

The bank is the fastest-growing affiliate of the Laurentian Group, now being merged with the big Desjardins financial services group.

Control of the bank will be held through a central Desjardins-Laurentian holding company.

Rio Algom sells potash division

RIO ALGOM, the former uranium producer now concentrating on copper and base metals, has sold its potash division with mines in Saskatchewan and New Brunswick to Potash Corp of Saskatchewan for C$160m (US$120m), plus working capital, writes Robert Gibbens. Rio also retains a royalty interest.

PCS, Canada's biggest potash producer, will take over a workforce of 440 miners.

The potash division contributed 12 per cent of Rio Algom's operating profit in the first half of this year. Potash prices have been volatile internationally partly because of big swings in Chinese demand.

Rio plans to use the proceeds to repay debt and expand its base metals activities in North and South America, including development of the Cerro Colorado copper deposit in Chile.

Rothschild sets up Argentine unit

NM Rothschild, the merchant bank, said yesterday that it had formed an investment advisory company in Argentina in conjunction with the Chilean bank, Banco BICE, writes Stephen Fidler, Latin America Editor.

Rothschild said the new company, Biceconsult Argentina, was being established to provide corporate finance, privatisation, project finance and other advisory services to Argentine and multinational companies.

Southwestern Bell to shed 1,500 jobs

SOUTHWESTERN Bell Telephone said its previously-announced restructuring plan will result in the elimination of about 1,500 management jobs over the next 18 to 24 months, AP-DJ reports from Dallas.

The company currently employs about 12,600 people in such positions.

Northern Telecom cuts workforce

NORTHERN Telecom, the equipment manufacturing affiliate of BCE of Canada, has begun reducing its Canadian operations as part of a plan to reduce the present 58,000 payroll by 9 per cent over the next 18 months, writes Robert Gibbens.

Nearly 800 jobs will go with the shutdown of one plant in Ontario and another in Nova Scotia. About 1,200 more jobs will vanish in the remaining 17 Canadian plants. The company says obsolescence is the main reason for the rationalisation.

About 2,000 more jobs will be eliminated in the US and several hundred at STC in Britain, acquired by Northern in 1991. Northern took a C$282m restructuring charge in the second quarter to cover rationalisation costs.

Deutsche Bank chairman's warning

DEUTSCHE Bank's chairman, Mr Hilmar Kopper, said German banks may have a tougher time in the second half than they had in the first six months of this year, Reuter reports from Paris.

"Traditionally, economic crises hit the banking sector with a six to nine-month delay and I'm not sure German banks will be able to repeat in the second half of this year their good performances of the first," he told the French daily newspaper Les Echos.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for trading on [illegible]: Pool purchase price £/MWh	Final Prices for trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.11	20.75	22.86
0100	18.09	20.40	23.51
0130	18.08	20.40	23.50
0200	18.08	20.40	23.49
0230	18.08	20.40	23.48
0300	18.08	20.40	23.50
0330	18.08	20.40	23.50
0400	18.08	20.40	23.50
0430	18.08	20.40	23.50
0500	18.08	20.40	23.50
0530	18.10	18.03	18.03
0600	18.10	32.00	32.00
0630	20.66	32.00	32.00
0700	20.67	20.35	23.42
0730	23.69	23.86	27.06
0800	25.98	24.94	28.11
0830	27.48	24.95	28.03
0900	27.69	25.42	28.51
0930	46.60	28.35	31.54
1000	48.71	28.39	31.57
1030	48.75	28.44	31.63
1100	48.82	28.51	31.74
1130	34.27	33.19	38.63
1200	34.48	33.33	38.80
1230	47.06	33.26	38.70
1300	46.79	33.12	38.49
1330	27.57	27.24	30.32
1400	26.02	27.19	30.27
1430	25.99	25.96	29.00
1500	25.98	25.96	29.00
1530	26.00	25.96	29.01
1600	26.15	25.99	29.05
1630	32.67	32.17	35.44
1700	46.91	33.24	36.50
1730	46.75	33.21	36.42
1800	35.26	33.11	36.36
1830	27.84	25.39	28.41
1900	24.87	24.94	27.98
1930	24.87	24.86	27.87
2000	25.65	24.83	27.88
2030	36.03	23.86	26.85
2100	36.03	24.83	27.85
2130	34.37	34.37	37.69
2200	24.86	34.37	37.70
2230	23.89	34.37	37.74
2300	23.45	34.37	37.78
2330	20.67	20.56	23.50
2400	20.68	20.51	23.52

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg [illegible] becomes [illegible]. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the base of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8.30am and 5.15pm Monday to Friday.
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INTERNATIONAL COMPANIES AND FINANCE

First-half advance at Citic Pacific

By Simon Davies in Hong Kong

CITIC PACIFIC, the Hong Kong-listed arm of Beijing's China International Trust and *Investment Corporation, yes*terday announced a steep rise in first-half profits and an increase in the interim dividend.

Net profit for the six months ended June advanced by 88 per cent to HK$802.3m (US$103.6m) from HK$439.5m a year earlier. The interim dividend is going up from 8.2 cents a share to 10 cents.

The results included a maiden *contribution* from the company's 12 per cent stake in Hong Kong Telecommunica*tions purchased* from China International in January for HK$10.4bn.

The purchase was funded through a share placement. The rise in half-year earnings per share was therefore limited to 22 per cent, to 47.8 cents.

Operating profit more than doubled to HK$503m, primarily due to a strong performance from the trading operations at Dah Chong Hong (DCH).

The company almost doubled car sales in China, although Chinese austerity measures are likely to hit the current six months.

DCH is the one investment to which Citic has added significant value, with more than half of its new car sales now going to China. In addition, the group has expanded DCH's trading and retail businesses into the mainland and has taken a 51 per cent stake in a children's food factory in Shanghai.

Contributions from associates rose from HK$314m to HK$495m, primarily due to Hong Kong Telecom, and to the performance of Dragonair, which has seen earnings soar on the back of sharply increased business air traffic between Hong Kong and China.

This was partly offset by the 46 per cent drop in earnings from Citic's 12.5 per cent stake in Cathay Pacific.

Citic is negotiating to buy a 25 per cent stake in a power plant in Shanghai *to add to its* power project investments in Henan and Jiangsu provinces.

It has also taken 25 per cent of a joint venture with Japanese manufacturer Isuzu to *assemble trucks* in China's most populous province, Sichuan.

Commonwealth Bank lifts profits 8%

By Nikki Tait in Sydney

COMMONWEALTH Bank of *Australia, the partially* privatised, Sydney-based institution, yesterday reported an 8.4 per cent *rise in after-tax profits to* A$443.1m (US$295.4m) for the 12 months ended June.

Profit before restructuring costs and general provision transfers was A$492.3m.

The figures, at the upper end of analysts' expectations, pave the way for the sale of a further 19 per cent equity interest in the bank by the federal government. This move, already well-flagged, will reduce the *authorities' holding in* CBA from 70 per cent to 51 per cent.

Yesterday, Mr Tim Besley, CBA *chairman, said that* he expected details of the sale to be released "in a matter of a few days". The sale is expected to raise around A$1.5bn.

Operating profit after tax but before outside equity interests and abnormal items rose to A$589.5m from A$415.9m, with the- core banking operations *contributing A$482.6m, against* A$385.3m. The bad debt charge fell to A$533.7m from A$843m, *which* CBA *attributed* to "concerted action . . . to manage non-performing loans, as well as the benefits of the recovery in the equities market".

However, at the earnings per share level, there was more modest progress, with CBA reporting 51.7 cents, against 51.5 cents last time.

Mr David Murray, managing director, admitted that there was a "continuing subdued economic environment," with increased competition among lenders in a sluggish domestic market.

But he said that CBA's relatively healthy figures reflected tighter control on costs, with operating expenses falling by 6 per cent.

The bank's risk-weighted capital ratio improved from 9.84 per cent to 10.66 per cent. Total assets rose to A$91bn from A$88.3bn. CBA shares rose 35 cents on news of the results, to A$9.95.

Swedbank package to raise SKr3.9bn

By Christopher Brown-Humes in Stockholm

SWEDBANK, the newly-merged Swedish savings bank group, yesterday unveiled a SKr3.9bn ($493m) package of measures to help it weather the crisis in Sweden's financial sector without calling on government support.

The bank is strengthening its capital base by issuing SKr1.9bn of perpetual subordinated debt to international investors, mainly in Japan and the US. Pricing is not being disclosed.

It plans to raise a further SKr2bn by selling a 60 per cent stake in two wholly-owned subsidiaries to a group of 90 affiliated savings banks.

The bank says the moves would have increased its capital adequacy ratio *at* June 30 by about 1.7 percentage points to 10.5 per cent, well above the 8 per cent international minimum. This will go a long way to enabling it to survive without state support, although, like other Swedish banks, it remains under pressure from heavy credit losses.

The bank hopes it will be able to withdraw its request for state aid later in the year, when it expects to announce new measures to strengthen its capital.

It applied for support at the start of the year but is now hoping to bail *itself out of* trouble following similar moves by two other banks, Skandinaviska Enskilda Banken and Foreningsbanken.

First-half results from Swedbank confirmed evidence of a recovery in the Swedish financial sector, which has been battered by two years of heavy losses caused mainly by collapsing real estate values.

The bank's *operating* deficit fell to SKr1.59bn from SKr5.88bn after costs fell by 15 per cent and *credit* losses shrank to SKr5.80bn from SKr9.25bn.

First Pacific posts strong interim growth

By Simon Davies

FIRST Pacific Company, the Hong Kong-based distribution to telecommunications conglomerate, yesterday reported strong first-half profits and an increase in the interim dividend.

Net profits before extraordinary items, but after preference share and convertible share dividends, for the first six months of 1993 were HK$252.3m (US$32.58m), up 59 per cent from HK$159.1m.

The company is stepping up its interim dividend by 43 per cent to 5 cents a share.

The group's Dutch subsidiary Hagemeyer continued to show strong growth, although its contribution was hit by negative foreign exchange movements. In addition, Philippines-listed Metro-Drug, and Australian computer company Tech Pacific, significant loss-makers in 1991, continued to recover.

Pacific Link, one of Hong Kong's three top cellular phone operators, further grewits subscriber base. However, Pacific TeleLink, which is building up a CT2 phone and pager network lost money, in line with group projections.

The group's property arm benefited from its acquisition of security company Guardforce, and from further investment property sales. Banking operations have been strengthened by the link-up with Mainland Government partners.

First Pacific's managing director Mr Manuel Pangilinan, said: "While it is unlikely that the growth rate in the second half will match wha: was achieved during the first half of 1993, I expect to be able to report significantly improved results for the full year."

Fujitsu cuts R&D to save costs

By Michiyo Nakamoto in Tokyo

FUJITSU, the Japanese electronics and telecommunications company, is planning to cut the number of research and development projects by about 20 per cent in an attempt to reduce costs and focus its R&D efforts better.

The decision is part of a wide-ranging exercise in reducing costs and will involve all leading business fields – from computers and telecommunications to semiconductors – in all parts of the world, Fujitsu said.

In the current business year, the company, which owns ICL, the UK-based computer company, is aiming to reduce R&D costs by about Y10bn ($94.33m) from an initially planned Y295bn.

Additionally, Fujitsu plans to cut capital expenditure. It is targeting a reduction of up to Y100bn in capital expenditure.

It hopes to reduce distribution and inventory costs as well. Last year, it was able to cut inventory costs by as much as Y100bn by shortening the shelf life of inventories, but additional reductions have been difficult, the company said.

Fujitsu said earlier this year that it was looking to reduce the number of employees on its payroll by 6,000 over the next two years through natural wastage.

Fujitsu, which is Japan's largest computer company and a leading manufacturer of telecommunications equipment and semiconductors, has suffered heavily amid the downturn in capital expenditure and consumer spending in Japan.

The company has also been hit by the trend away from large mainframe computers, which have been a significant profit earner for the company, to networks of personal computers.

In the year to March, Fujitsu reported a loss of Y8.7bn. It expects restructuring efforts will help it return to profit in the current year.

Ahold ahead despite dip in contribution from US

By Ronald van de Krol in Amsterdam

AHOLD, the Dutch-based food retailer, increased net profit by 11.4 per cent to Fl 76.2m ($41.2m) in the second quarter of 1993, with higher results in the Netherlands and Europe compensating for slightly lower results in the US.

The second-quarter increase, which followed a 13 per cent rise in the first quarter, takes net profit for the first half to Fl 172.4m.

Group sales in the second quarter rose by nearly 30 per cent to Fl 6.3bn, largely due to the first-time consolidation of Schuitema, a Dutch food wholesaler which is majority-owned by Ahold, and to acquisitions in the Netherlands and Portugal. If these factors are excluded, the rise in sales totalled 8.3 per cent.

Ahold, which generates about half of its sales through supermarket chains in the eastern US, said US operating profit fell slightly to $38.9m, from $41.8m in the second quarter of 1992.

Three of its US chains produced higher operating results, but its First National supermarket chain posted lower profits.

In the Netherlands, operating profit registered a strong 43.4 per cent rise to Fl 61.9m, partly due to new consolidations. But even after adjusting for this factor, operating profit still showed an increase of 23.5 per cent.

European results swung into an operating profit of Fl 15.1m from a loss of Fl 3.5m. Ahold attributed the improvement almost entirely to its rapid expansion in Portugal. The Dutch group continues to post start-up losses in the Czech Republic.

Casino group seeks A$246m

AN Australian company that successfully bid for a licence to build and operate a casino in Melbourne aims to raise A$246m (US$164.00m) through an initial public offering of shares, AP-DJ reports from Melbourne.

The licence was awarded to a consortium of companies, including Foster's Brewing and property developer Hudson Conway, following a bid earlier this week of A$750m to the Victoria state government.

The consortium has formed Crown Casino which is to take a stock market listing late this year or early 1994 to pay for part of their successful bid.

Investment institutions and private shareholders will be offered A$246.0m of shares, or 60 per cent of Crown, and the three-member consortium will take up the rest, giving the company an issued capital of A$410m.

NZ brewery overcomes difficulties

By Terry Hall in Wellington

DOMINION Breweries, the New Zealand brewer, reports an increase to NZ$15.8m (US$8.61m) from NZ$13.8m in net profits for the year ended June.

The directors said it had been another difficult year, marked by tough competition and reduced consumer spending.

The company, previously known as Magnum Corporation, is controlled by a joint venture of Brierley Investments and Singapore and Dutch liquor interests. It has been undergoing an extensive restructuring after heavy losses on investments in 1991.

Dominion is planning further write-downs and provisions this year of NZ$30.6m, following last year's total provisions of NZ$264.3m.

It said said that the tough trading climate looked like continuing.

The board reaffirmed that there would be no *rapid return* to acceptable levels of profitability due to the extent of the resources and investment needed to rebuild the group.

It said all business units were profitable with the exception of DB Hotels. There had been a *significant* improvement in earnings at Austotel, the Australian hotel arm.

Further asset disposals were expected and as a result borrowings would be further reduced.

The brewer's net debt last year fell from NZ$396.3m to NZ$216.5m.

Skanska property sales net SKr1bn

By Christopher Brown-Humes in Stockholm

SKANSKA, the Swedish construction and real estate group, has concluded a series of property deals worth more than SKr2.5bn ($316m) with the Swedish National Pension Insurance Fund.

The agreement will net the company a SKr1bn capital gain at a time when its performance *has been hit by the downturn* in the Swedish construction market and big property write-downs.

Skanska is selling 20 commercial and residential properties in the Stockholm area to the fund for SKr2.2bn. It is also buying a number of industrial and office buildings in Stockholm and Malmö, and a residential area in Malmö for SKr300,000.

Mr Melker Schörling, Skanska chief executive, said the deal would cut debt and create room for new investments.

Proceeds will offset the substantial write-downs on foreign property engagements which *the company is expected to* make in the second half of the year.

"The deal is a positive indication that the real estate market in Sweden is starting to recover," said Mr Mats Mared, Skanska vice-president with responsibility for real estate.

● TRYGG-HANSA, the leading Swedish insurance group, yesterday applied to the government for a charter to establish a bank.

It said the move would enable it to compete more effectively in the market for individual pensions after a change in tax rules at the end of the year.

The new bank, to be named Trygg-Banken, will be 51 per cent owned by Trygg-Hansa Life and 49 per cent *owned* by Trygg-Hansa SPP.

It will acquire parts of the group's finance company, Trygg Finans, which is primarily focused on small and medium-sized companies.

It will supplement this with a small securities business and by offering favourable interest rates to attract pension savings from individual customers.

● CULTOR, the Finnish foods group, reports eight-month profits after financial items of FM227m ($39m), against FM152m last time, Reuter reports from Helsinki. Net sales were FM4.08bn, compared to FM3.82bn. The company said *operating* profits for the period were FM498m. For the first eight months of 1992 they were *FM427m.*

INTERNATIONAL CAPITAL MARKETS

Stream of issues lifts 1993 volume above last year's total

By Antonia Sharpe

A STREAM of new issues in the Eurobond market yesterday lifted volume this year above last year's record level. Total 1993 volume has reached $271.6bn, according to IFR Securities Data, compared with $269bn for the whole of 1992.

The Kingdom of Belgium launched its widely-expected D-Mark Eurobond issue and Cheung Kong, the flagship of Mr Li Ka-shing's Hong Kong business empire, made its Euromarket debut.

Meanwhile, the World Bank was putting the finishing touches to its global dollar offering last night, in preparation for a launch at the start of trading in Tokyo.

The Bank is expected to raise $1.25bn of 10-year bonds, priced to yield between 10 and 13 basis points over the yield on underlying US Treasuries.

Belgium's DM1bn offering of 10-year bonds was well received, syndicate managers said. The bonds were priced to yield 16 basis points over the 6¼ per cent Bund due 2003, the lower end of the indicated range. When the bonds were freed to trade, the spread was unchanged.

Lead manager Morgan Stanley said Belgium's offering provided fresh liquidity at the long end of the D-Mark sector. Other 10-year Eurobond issues launched earlier in the year have risen well above par, which makes investors less inclined to trade in them.

The Belgian finance ministry said the 10-year maturity was chosen to tap demand for longer-dated paper as well as to lengthen the maturity profile of Belgium's foreign debt.

INTERNATIONAL BONDS

Belgium is scheduled to launch a dollar-denominated Eurobond issue in the next month and may tap the Swiss franc sector early in 1994.

The other significant deal of the day was Cheung Kong's $500m five-year issue, the first straight Eurobond by a Hong Kong corporate.

Lead manager Goldman Sachs said the offering established a benchmark for other Hong Kong companies wishing to raise funds internationally. "Cheung Kong's issue opens up a whole new market," it said.

The fact that investors were willing to buy the issue despite its maturity in 1998, one year after the UK is due to hand Hong Kong back to China, bodes well for future issues by Hong Kong borrowers, it added.

Demand for Cheung Kong's bonds was such that they are likely to be priced to yield 82 or 83 basis points above the 4¾ per cent US Treasury due 1998, at the lower end of the indicated range. The issue is due to be priced today.

The aim of the issue is to expand Cheung Kong's investor base and to raise its profile internationally. Cheung Kong does not have a rating at present and any rating would be limited by Hong Kong's sovereign ceiling of A by Standard & Poor's and A3 by Moody's.

Late in the day, Citibank led a $300m seven-year Eurobond for Telefonica de Argentina. The bonds, which carry a coupon of 8⅜ per cent, were priced to yield 348 basis points over the 8¾ per cent US Treasury due 2000.

Venezuela is expected to tap the Eurodollar sector in the next few weeks with a $300m two-year offering. The issue, via Goldman Sachs, is expected to be priced to yield between 250 and 300 basis points over the yield on US Treasuries.

Another late-comer was France Telecom, which raised SFr300m through an offering of six-year bonds. Lead manager Swiss Bank Corp said the issue would refinance two Swiss franc deals which are due to mature in October. It added that the coupon of 4⅛ per cent was the lowest for a straight bond since 1988.

Elsewhere, the European Investment Bank gave a significant boost to the Matador market, Spain's domestic bond market for foreign borrowers, with its Pta40bn three-year offering, the largest Matador to date.

An official at the lead manager Banco Central Hispano said that the bonds were priced to yield 20 basis points below the yield on the underlying Spanish government bonds, a more generous margin than investors had been expecting.

In the sterling domestic market, Halifax Building Society raised £100m through an issue of permanent interest bearing shares (PIBS). The issue was priced to yield 150 basis points over the 8¾ per cent UK government bond. Spreads on PIBS have tightened substantially in recent months, reflecting strong demand from investors for high-yielding instruments.

● The National Bank of Slovakia yesterday raised $240m through its first bond placement. The fixed-rate issue, in two tranches with maturities of five and seven years, was privately placed with institutions in Europe and Asia.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Cheung Kong Finance Cayman	500	(a)	(a)R	Sep.1998	0.4R	(a) (4¾%-98)	Goldman Sachs Intl.
Telefonica de Argentina	300	8.375#	99.61R	Oct.2000	1.0R	+348(8¾%-00)	Citibank International
Okamura Corp.	100	4.875	100R	Sep.1997	0.25R	+47 (b)	Mitsubishi Finance Intl.
Kasumi Co.(c)ф	100	0.875	100	Sep.1997	2.25	-	Yamaichi Intl.(Europe)
Sapiens Intl. Corp.(d)§	40	(5-5½)#	100	Sep.2003	2.5	-	Swiss Bank Corp.
D-MARKS							
Kingdom of Belgium	1bn	6.25	99.63R	Oct.2003	2.5	+16 (6¼%-03)	Morgan Stanley
LKB Baden Württemberg(e)	500	6.50	102.85	Sep.2008	3.0	-	JP Morgan
Kawasumi Laboratories(c)ф	66	1.625	100	Sep.1997	2.25	-	Nomura Bank (Deutsch.)
YEN							
Hankyu Corp.(c)§	25bn	1.25#	100	Sep.1998	2.5	-	Daiwa Europe
Hankyu Corp.(f)	10bn	4.90	99.85R	Jan.2004	2.0	-	Sanwa International
Hankyu Corp.(f)	10bn	4.75	100.075R	Jan.2002	2.0	-	Daiwa Europe
Ebara Corp.(f)	10bn	4.60	100.20R	Dec.2000	1.875	-	DKB International
Pokka Corp.(c,g)§	8bn	(1.5)#	100	Mar.1998	2.5	-	Nikko Merch. Bank(Sing.)
GUILDERS							
Eurofima	400	6.125	100.10R	Oct.2003	0.25R	+12 (6¼%-03)	Rabobank Nederland
AKZO	300	6.375	99.45R	Oct.2003	0.35R	+46 (6¼%-03)	ABN Amro Bank
PESETAS							
European Investment Bank	40bn	8.30	101.31	Sep.1996	1.375	-	Banco Central Hispano
SWISS FRANCS							
France Telecom	300	4.125	102.25	Oct.1999	-	-	Swiss Bank Corp.
SBAB(f)	150	4.375	102.125	Jan.1997	-	-	Credit Suisse
Nagawa Co.(h)★§	80	0.125#	100	Sep.1997	-	-	Nomura Bank (Switz.)
Kokune Corp.(i)★§	70	0.125#	100	Sep.1997	-	-	Yamaichi Bank (Switz.)
Pacific Construction Co.(j)★§	60	2.125	100	Oct.1998	-	-	Bankers Trust/ SBC

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Private placement. §Convertible. фWith equity warrants. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Priced today to yield 82-85bp over treasuries. b) Spread is over the interpolated yield curve. c) Fixing: 13/9/93. d) Fixing: by 10/9/93. Indicated conversion premium: 18-22%. Callable, subject to 130% rule, on 20/9/96 at 103% declining by 1% annually. Callable from 20/9/98 at par. e) Issue launched 23/8/93 was increased to DM1.5bn. f) Short 1st coupon. g) Callable, subject to 130% rule, on 31/3/94 at 102% declining ¼% semi-annually. h) Callable on 30/9/95 at 102% declining ½% semi-annually. Callable, subject to 150% rule, on 31/3/94 at 101¼% declining ¼% semi-annually. § Callable on 30/9/95 at 102% declining ½% semi-annually. Callable, subject to 130% parity rule, on 31/3/94 at 101¼% declining ¼% semi-annually.

Turkey appoints banks for Tofas sale

By John Murray Brown in Ankara

TURKEY has appointed J. Henry Schroder Wagg, the UK merchant bank, and Lehman Brothers, the US investment bank, to sell the government's stake in Tofas, the Turkish car assembly arm of the Italian Fiat motor group.

The share issue is expected to raise around $500m. It will be the largest international offering ever by a Turkish company.

Schroder will link with Turkey's Interbank and Lehman with Finanzbank. The French Indosuez group is understood to have bid to handle the issue.

The government is selling 21 per cent of manufacturer Tofas Fabrikasi and 18 per cent of its marketing arm, Tofas Ticaret. Both companies' shares are traded on the Istanbul stock market. The offer, which would be made on Turkish and international markets, is expected to be concluded by the close of this year.

Turkey's car market is currently growing at 25 per cent a year, in marked contrast to the trend elsewhere in Europe.

The banks are considering three options – a full registration with the Securities and Exchange Commission in New York, a restricted listing through American Depositary Receipts, or a private placement with US institutions.

Bankers are also considering the possibility of listing Tofas on the Luxembourg bourse.

● Pennzoil, the US oil group, is to offer 5m common shares in the US and internationally to raise around $333m. Proceeds will be used to reduce borrowings, Reuter reports from Houston.

The group said the offer would be priced next week. Underwriters will also be granted over-allotment options to buy an extra 500,000 shares.

Net proceeds, together with $10.9m of cash on hand, will be used to redeem $111m principal of 10 per cent debentures due 2011, $120m of 10⅛ per cent debentures due 2011 and as much as possible of the outstanding $100m of 9 per cent debentures due 2017.

Belgian prices stage recovery from dramatic sell-off

By Tracy Corrigan and Conner Middelmann

THE Belgian bond market staged a one-point recovery yesterday, after last week's dramatic sell-off, which was triggered when the authorities raised interest rates to protect the currency.

However, the market has still not fully retraced last week's losses. Ten-year yields fell to 7.24 per cent, down from 7.38 per cent on Monday but still some way off last week's level of just over 7 per cent.

GOVERNMENT BONDS

The yield spread between the Belgian 10-year benchmark and its German counterpart narrowed to 109 basis points from 125 on Monday – the highest in two years – but is still way above the 30 basis point gap recorded in July.

Dealers said volume was moderate rather than heavy, as some index-fund managers came back into the market. "But nearly all our clients completely liquidated their positions last week," one trader added.

■ GERMAN bonds weakened slightly amid growing doubts over the likelihood of rate cuts at Thursday's Bundesbank Council meeting. "It's a tough call – money supply and inflation don't suggest an easing but the D-Mark's strength and technical considerations do," said a Frankfurt trader.

But according to Mr Karsten Walprecht, a futures broker at Deutsche Bank, the Bundesbank may once again surprise the markets. "Expectations for a rate cut are relatively low, but since the Bundesbank likes to act contrary to market expectations, the chances may actually be quite good."

On the supply front, the German government will auction a second tranche of its 6¾ per cent bonds due July 15 2003 today. Some traders say the auction may replace the Bund issue scheduled for the end of September. Moreover, many banks need to cover short positions following the first tranche, says a trader, who expects some DM6bn to DM8bn of bonds to be issued.

■ UK GILTS ended slightly higher in fairly low volume yesterday, as the market remained locked in a trading range, with no significant economic data due this week.

On the London International Financial Futures and Options Exchange, the December long gilt future ended the day at 114⅛. One dealer said the future is stuck in a 113¾ to 114⅝ range, "and it will take something big to move it through that resistance level".

■ FRENCH 10-year bonds shed early gains to end a slow session little changed while the short and ultra-long sectors of the yield curve eased. The long end was damped recently by heavy selling, while two to five-year maturities weakened on waning hopes for near-term rate cuts. In the morning, some switching from Bunds boosted French bonds but prices drifted back down as follow-through buying failed to materialise.

■ JAPANESE bonds were little changed but remain underpinned by hopes of a cut in the 2½ per cent official discount rate. While JGBs have factored in a rate cut, they will remain well supported until it happens, said Mr Nick Stamenkovich, economist with Dai-Ichi Kangyo Bank, who expects a half-point ODR cut soon – possibly on Friday, when the Bank of Japan releases its quarterly Tankan report. However, the cut is likely to trigger profit-taking which could drive the 10-year yield back above 4 per cent, he said.

■ FOLLOW-through buying from last Friday's strong rally and plunging gold prices pushed longer-dated US Treasury securities to new highs yesterday morning.

By midday the benchmark 30-year government bond was up 5/16 at 104 23/32, yielding a record low of 5.901 per cent. At the short end, the two-year note was unchanged at 100 5/16, to yield 3.698 per cent.

Prices opened higher after the long weekend as sentiment remained buoyant in the wake of Friday's unexpected decline in August non-farm payrolls.

FT FIXED INTEREST INDICES

	Sep 7	Sep 6	Sep 3	Sep 2	Sep 1	Year ago	High *	Low *
Govt.Secs.(UK)	102.47	101.86	102.02	102.15	102.56	88.98	102.56	93.28
Fixed Interest	124.51	124.14	124.57	124.88	125.20	105.34	125.20	106.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Sep 6	Sep 3	Sep 2	Sep 1	Aug 31
Gilt Edged Bargains	91.1	129.7	135.8	240.9	175.2
5-Day average	154.5	154.6	146.2	136.5	108.0

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	120.4032	-0.483	6.66	6.64	6.85
BELGIUM		9.000	03/03	111.8000	+1.100	7.24	7.08	7.07
CANADA *		7.500	12/03	105.6500	+0.040	6.70	6.77	7.00
DENMARK		8.000	05/03	107.8500	-0.450	6.86	6.63	6.75
FRANCE	BTAN	5.750	11/98	100.3993	-	5.65	5.58	5.82
	OAT	6.750	10/03	104.3400	-0.020	6.16	6.10	6.41
GERMANY		6.500	07/03	102.5550	-0.140	6.15	6.18	6.39
ITALY		11.500	03/03	112.6500	+0.450	9.67†	9.65	10.38
JAPAN	No 119	4.800	06/99	105.8967	-0.053	3.57	3.82	3.83
	No 157	4.500	06/03	103.2824	+0.036	4.08	4.13	4.13
NETHERLANDS		7.000	02/03	106.9300	-0.110	6.01	6.06	6.20
SPAIN		10.900	08/03	111.9000	-0.150	9.02	8.88	9.67
UK GILTS		7.250	03/98	103-25	+3/32	6.26	6.28	6.39
		8.000	06/03	106-16	+10/32	6.79	6.79	7.07
		9.000	10/08	116-24	+17/32	7.17	7.18	7.50
US TREASURY *		5.750	08/03	103-24	+7/32	5.26	5.48	5.81
		6.250	08/23	104-19	+10/32	5.92	6.11	6.48
ECU (French Govt)		8.000	04/03	109.4700	+0.220	6.63	6.61	7.01

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on September 7

U.S. DOLLAR STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; SWISS FRANC STRAIGHTS; CONVERTIBLE BONDS; YEN STRAIGHTS

[illegible]

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RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	58	16	6
Other Fixed Interest	9	1	5
Commercial, Industrial	247	295	877
Financial & Property	113	148	560
Oil & Gas	12	22	47
Plantations	0	1	7
Mines	13	61	61
Others	7	17	97
Totals	459	561	1,660

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Aug. 23
● Last Dealings Sept. 10
● Last Declarations Nov. 25
● For settlement Dec. 6

3-month call rate indications are shown in Saturday editions.

Calls: Acorn Comp., Ferranti, Flextech, Medeva, LIT Pref., Porter Chadburn, Sleepy Kids, Stonehill (Ord. & A) and Telemetrix.Puts: LIT Pref. and Lucas Wts.

FT-SE ACTUARIES INDICES

LIFFE EQUITY OPTIONS

[illegible]

FT-SE Index Calls 3,428 Puts 4,744
Euro FT-SE Calls 361 Puts 2,597
*Underlying security price. † Long dated expiry months.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Tue Sep 7	Day's change %	Mon Sep 6	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	128.94	+0.03	128.90	1.87	7.91
2	5-15 years (23)	156.42	+0.29	155.96	1.79	9.39
3	Over 15 years (9)	175.38	+0.70	174.16	0.41	9.70
4	Irredeemables (6)	205.16	+0.83	203.47	2.60	8.83
5	All stocks (62)	151.62	+0.31	151.16	1.58	9.03
	Index-Linked					
6	Up to 5 years (2)	187.29		187.30	0.67	3.41
7	Over 5 years (11)	182.95	+0.08	182.80	0.91	3.42
8	All stocks (13)	182.50	+0.07	182.37	0.87	3.41
9	Debs & Loans (65)	144.28	+0.50	143.56	2.02	7.96

	AVERAGE GROSS REDEMPTION YIELDS		Tue Sep 7	Mon Sep 6	Year ago (approx.)
	British Government				
1	Low	5 years	6.34	6.35	8.84
2	Coupons	15 years	7.02	7.07	8.84
3	(0%-7¾%)	20 years	7.16	7.22	8.84
4	Medium	5 years	6.46	6.49	9.58
5	Coupons	15 years	7.15	7.21	9.06
6	(8%-10¾%)	20 years	7.25	7.31	8.95
7	High	5 years	6.65	6.68	9.85
8	Coupons	15 years	7.40	7.46	9.28
9	(11%-)	20 years	7.42	7.49	9.12
10	Irredeemables(Flat Yield)		7.38	7.44	9.04
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.52	2.51	4.69
12	Inflation rate 5%	Over 5 yrs.	3.22	3.23	4.69
13	Inflation rate 10%	Up to 5 yrs.	1.75	1.74	3.98
14	Inflation rate 10%	Over 5 yrs.	3.05	3.05	4.51
15	Debs &	5 years	7.61	7.70	10.59
16	Loans	15 years	8.04	8.10	10.41
17		25 years	8.20	8.25	10.28

Lack of exceptionals behind Hillsdown fall

By Andrew Bolger

SHARES IN Hillsdown Holdings rose 7p to 172p yesterday, although the food group announced that pre-tax profit fell 17 per cent, from £74.8m to £62.3m, in the six months to June 30.

Hillsdown blamed the drop in profits on higher interest costs and said last year's figure had been flattered by exceptional profits. Sales of continuing operations increased by 10 per cent to £2.23bn, mainly because of the acquisition of a continental chilled salads business last year.

Sir John Nott, the former cabinet minister who took over as chairman in April, said the group's restructuring was expected to be completed ahead of schedule and on budget, but would not produce early results.

The group expects to sell its eight remaining abattoirs and two meat plants by the end of the year, completing its withdrawal from the red meat slaughtering business.

More than half its property trading portfolio has been sold and the group expects to get out of this business more quickly and at better prices than initially expected.

Mr David Newton, chief executive, said reorganisation in the poultry business was almost complete, with the weekly output of chickens having been cut from 3.5m birds to 2m.

Mr Newton said Hillsdown had coped with the difficult trading brought on by devaluation, which increased its raw material prices by up to 15 per cent. It still faced difficult trading conditions but he forecast higher operating margins from most divisions in the current half, as a result of having achieved higher prices and the restructuring.

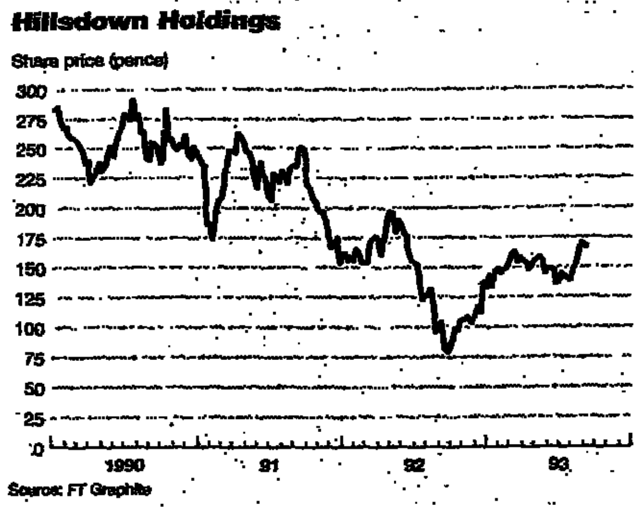
The chief executive said the biggest disappointment in the first half was a weak performance by the European tea and beverage operations. Fierce competition for market share and a big jump in the costs of imported raw materials had reduced profitability.

The businesses were being merged under a new management team, which would bring small reorganisation costs this year but help performance in future years.

The non-foods division, which includes housebuilding and upholstered furniture operations, had seen few signs of improvements in its markets but several divestments had increased operating profits and margins.

Under FRS 3, earnings per share fell to 5.1p (6.4p). The group, which has one of the highest yields in the market, held its interim at 2.2p and intends to maintain the full-year dividend at 8.8p.

See Lex



Scholl dips to £11.7m midway

By Catherine Milton

HIGH marketing and development investment cost Scholl, the healthcare company, a dip in pre-tax profits to £11.7m in the six months to June 30, compared with last time's £13.7m flattered by £2.4m in higher investment and one-off gains.

Mr Neil Franchino, chief executive, said the company had so far outperformed rivals as recession swept continental Europe: "There is a problem and we can't stay above it for ever. We can't be any more optimistic than other people. I am terribly concerned about continental Europe even if we fared fairly well."

Turnover rose to £94.1m (£85.8m), with about 5 per cent of the gain attributable to currency movements and the rest to improvements in third party distribution sales, including a contract with Bristol Myers in Germany, and about 26 per cent growth in the Asia region, and 6 per cent in Australia.

The company made two acquisitions in the first half of 1992. The Scholl retail chain in Canada opened four additional stores bringing the total to 24, with three more planned by the year end. The Gerard House herbal remedies company increased distribution from about 1,800 to nearly 5,000 points of sale.

It bought Septivon, the antiseptic wash brand, in June from Elf Sanofi for FF125m (£14.7m) cash, plus taxes of FF8.5m (£1m).

Scholl said results had been brought down at the half year by a change in the business mix: "We used to be in a situation where all profit was made in the first half. Last year the split was roughly 75 per cent in the first half and the remaining quarter in the second and this trend is likely to continue this year."

At halfway the company had £6m (£19.4m) in cash and borrowings of £5.7m (£2.8m).

The board declared a maintained interim dividend of 2.6p out of earnings of 9.3p (11.2p).

CRH in I£147m rights issue for expansion

By Tim Coone in Dublin

CRH, Dublin-based international construction and building materials group, announced yesterday a one-for-five rights issue to raise I£147m (£135m) to finance acquisitions over the next two years. The size of the issue, at I£2.60 per share, surprised analysts and the shares closed down 9p at 292p.

The announcement was made simultaneously with better-than-expected interim results showing an 11 per cent increase in pre-tax profits to I£25.1m on turnover up 17 per cent to I£647m for the six months to end-June. At the same time the company reported two further building material acquisitions in the US for I£30m.

It is buying Pennsy Supply, a building materials supplier in Pennsylvania, and Clemente-Latham Concrete, a ready-mix concrete supplier in upstate New York.

They had combined sales of $46m last year.

Dublin analysts were surprised by the cash call, underwritten by UBS, given the small size of the acquisitions identified so far.

They have upgraded their forecasts, however, for the full year on the back of the interim result.

Mr John Conroy of NCB stockbrokers is predicting full-year earnings per share of 18p, in anticipation of a better second half result and "the two eps-enhancing acquisitions in the US".

Mr Jack Hayes, managing director for finance and development of the group, said "We think it is a good time to be buying now, and we want to be able to do so without over-stretching ourselves".

He said CRH has spent some I£600m on acquisitions over the past decade and a further I£300m in capital investment, most of which has been financed from cash flow. Only I£104m has been raised since 1984 in one rights issue and two placings.

Acquisitions totalling I£100m are expected to be made this year, including the latest two in the US, and similar spending is anticipated in 1994.

Mr Hayes said that without a rights issue, group gearing could approach 100 per cent. "This could have acted as a constraint on new acquisitions. We want to keep our flexibility to be able to move fast", he said.

Gearing will fall from 60 per cent at June 30, to just below 20 per cent after the rights issue.

Eearnings grew by 13 per cent to 6.98p (6.17p) in the half year, and an interim dividend of 2.34p (2.25p) is declared.

● COMMENT

This call by CRH on a market which is not awash with surplus cash is a cheeky move by a group which has put in a good performance in comparison with its industry peers. But it looks as though investors will buy the explanation that CRH needs to finance a very aggressive acquisition programme to consolidate its diversified base in the US and European construction industries. With interest cover now almost half the level four years ago, some strengthening of the balance sheet was called for. But CRH will have to find the acquisitions quickly and deliver the earnings to reward its shareholders' faith. A p/e of 16 on forecast earnings of 18p this year indicates investor caution.

Peek declines to £2.1m but wins £6m Bangkok contract

By Catherine Milton

PEEK, the international traffic and field data systems company, has won a contract to install a £6m computerised system for the volatile drivers of Thailand's Bangkok.

Announcing pre-tax profits for the six months to June 30 of £2.07m (£2.81m) – down as a result of the loss on disposal of a discontinued business – Mr Jim Sanger, finance director, said he was aware Bangkok drivers had threatened violence over the congestion.

"We believe congestion will be eased but we have made no contractual guarantees on the speed of traffic," he said.

"Over the last four or five years we have established ourselves as the number two in the traffic world and profits have been up over the last couple of years."

He stressed the need to move to larger contracts but "not to take on too many at a time".

Turnover on continuing activities was virtually flat at £39.1m with a £5.8m contribution from the acquisitions of Signal Control Company and Signal Maintenance Inc in March.

Operating profits dipped to £2.43m (£2.91m) as operating expenses rose on higher investment in the Hong Kong and German markets and in applied technology.

The company booked a loss of £544,000 on the sale of Navstar, a global positioning systems company, as the transport industry failed to respond quickly to the technology.

Peek received interest of £194,000 against payments of £92,000 last time as the company switched out of certificates of tax deposit following the settlement of a tax liability.

The company had borrowings of £1.89m at the half way stage against cash of £11.4m in the previous period as working capital in Holland increased and on the strength of the two acquisitions.

The board declared a maintained dividend of 1.05p out of earnings per share of 1.11p (1.74p).

AAF shares tumble after heavy loss from Blackburn business

SHARES IN AAF Industries fell 51p to 77p as the modular buildings and alloy wheels group announced that "a very large loss" had been incurred in the first half in the group's system building business in Blackburn.

There would also be very large exceptional and non-recurring items as a result of the closure of the Blackburn operations and their transfer to Brandesburton in Yorkshire. The results for the six months to June 30 were now expected to be delayed until October.

The shares recovered 5p to close at 82p.

On July 7, AAF issued a profits warning for the six months to June 30. This also related to the Blackburn business and prompted a 66p share price plunge to 125p.

Only two months previously the group had made a £7.65m rights issue, which diluted the stake of W&A Investment Corporation, the South African consumer and industrial group, to 43.1 per cent.

Mr Alex Brown became chief operating officer of AAF at the time of the July warning and he said the decision to close Blackburn was instigated by him.

As a result of the current difficulties in Blackburn, AAF needed additional working capital. W&A has guaranteed the provision of a £5.1m loan facility to AAF. This has been fully drawn. Further, W&A will provide an unsecured loan facility of £4m.

Mr Jeffrey Liebesman, W&A joint executive chairman and AAF non-executive chairman, said W&A was in no hurry to have the loan repaid. "We are acting as a white knight," he said.

Amstrad shares rise 2½p

By Paul Taylor

SHARES in Amstrad, the consumer electronics company run by Mr Alan Sugar, gained 2½p to 37½p yesterday amid reports that the group is negotiating to buy Dancall, the Danish mobile telephone manufacturer which is in payments suspension.

Berlingske Tidende, the national newspaper, quoted Mr Sugar as saying: "We are ready to buy. Whether the deal comes off depends now on the creditors." The newspaper added that Amstrad's offer would be considered at a creditors' meeting on Monday.

There was no immediate confirmation from Amstrad yesterday, but Mr Sugar has often expressed his interest in expanding the group's telecommunications equipment side.

Approval for Dunhill changes

The corporate restructuring proposed by Richemont of Switzerland was yesterday approved by shareholders in Dunhill Holdings and Rothmans International.

Under the proposals, the luxury goods and tobacco businesses of Dunhill, Richemont and Rothmans will be amalgamated into two new listed companies.

Pegasus sells rest of Stockforms

Pegasus Group, the USM-quoted software and stationery group, is selling the remaining 75 per cent of Stockforms to Deluxe Corporation's UK offshoot for not less than £6m.

Deluxe UK acquired 25 per cent of Stockforms for £1.71m in September last year and was granted an option to acquire the balance at any time between July 31 1993 and December 31 1994.

Wilson (Connolly) slips to £8.2m

By Paul Taylor

PRE-TAX profits at Wilson (Connolly) Holdings, the Northampton-based housebuilder, property and construction group, slipped slightly in the first half as lower property profits offset gains at Wilcon Homes, the housebuilder.

In the six months to June 30 the pre-tax figure declined from £8.77m to £8.22m while group turnover grew by some 5 per cent to £102m.

Earnings per share dropped to 2.9p (3.2p) but the interim dividend is maintained at 1.27p.

Mr Lynn Wilson, chairman, said the half year results demonstrated the group's "resilience," and noted that the fall in interest rates "has led to a slow, but at times faltering, recovery in the UK housing market."

Strong purchaser interest in the earlier part of the year helped the group sell 1,600 houses in the first half, up 28 per cent over the 1,250 homes sold in the 1992 period. However, Mr Wilson said "consumer confidence is still extremely fragile and there is strong resistance to price increases."

The average selling price was unchanged at £54,000 although nationally, prices fell by about 5 per cent and as a result the group's margins remained under pressure. Wilcon Homes managed to increase profits by 7 per cent to £7.96m (7.44m) on turnover of £88.5m (£69.6m).

During the period the group also purchased 2,400 plots, increasing its land bank with planning permission from 13,300 at the end of December to 14,100.

Outside the core housebuilding business Wilcon Construction's order book and profits were both reduced reflecting the uneconomic level of prices obtainable by building contractors. Profits dipped from £262,000 to £221,000 on increased turnover of £20.1m (£16.3m).

Profits at Wilson Connolly Properties fell to £39,000 (£1.07m) on turnover down to £3.58m (£12.3m) but the chairman said the business remained "encouragingly active."

At the end of June the group had cash balances of £10m and gearing, including land creditors, stood at 10 per cent.

● COMMENT

The "lumpy" nature of property profits makes for unflattering year-on-year comparisons despite the solid gains at Wilcon Homes which is on target to sell another 1,800 houses at slightly firmer margins by year-end. Although the construction business has been contracting and is unlikely to show any real improvement until 1995, brighter prospects for property in the second half should help lift full-year pre-tax profits to around £23m and earnings to about 8.2p per share. The shares slipped 7p to 192p yesterday, but still leave the company on a lofty forward multiple of 23.4.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Adscene	fin	3.2	Oct 21	2.5	5	4
Avonside	int	1.9	Nov 29	1.8	-	4
Bailey (Ben)	int	0.3	Dec 7	0.25	0.55‡‡	0.55
Boddington	int	2.86	Oct 20	2.6	-	7.3
Cantors	fin	3	Nov 11	3	4	4
CRH	int	2.34§	Oct 11	2.25	-	6.75
Croda	int	2.95	Dec 1	2.75	-	7.75
Expamet	int	1.25	Nov 19	2.09	-	3.25
Fisons	int	3.3	Jan 4	3.3	-	8.7
Frost	int	2.2	Jan 5	1.8*	-	4*
Harrington	int	1.7	Nov 10	1.5	-	4.5
Headlam	int	0.85†	Nov 12	0.75	-	2.6
Hillsdown	int	2.2	Dec 1	2.2	-	8.8
Home Counties	int	2	Oct 22	2.75	-	6
Iceland	int	1.2	Nov 15	1.033*	-	3.33*
IMI	int	4.2	Oct 18	4.2	-	10
Indl Control	fin	3.07	Oct 28	-	4.4	0.3
Macro 4	fin	11.48	Nov 8	7.61	17.75	17.75‡
Newman Tonks	int	2.53	Oct 28	3.8	-	9.3
Peek	int	1.05	Jan 6	1.05	-	3.4
PowerGen	int	3.95	Nov 12	3.35	-	10.5
Scholl	int	2.6	Nov 8	2.6	-	6.3
Spear (JW)	int	3	Oct 14	2.5	-	14
Transfer Technlgy	int	6.5	Jan 14	6.25	-	16
TR Euro Growth	fin	1.7	Oct 29	1.35	1.7	1.35
Wilson Connolly	int	1.27	Oct 20	1.27	-	3.93
Williams Hldgs	int	5	Oct 8	5	-	12.5
Wyevale Garden §	int	2.75	Oct 29	2.48	-	4

Dividends shown pence per share net except where otherwise stated. *Adjusted for scrip issue. †On increased capital. §USM stock. ‡Included 5p special. §Irish currency. ‡‡To date of an 18 month period.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- AMEC, Albany Inv. Trust, BTR, Baird (Wm), Baynes (Charles), Blenheim, Burnfield, Carnaud Metalbox, Cluff Resources, Eadie, Fairhaven, First National Building Society, Kleinwort Smaller Cos., Nurdin & Peacock, OGC, Plasmec, Portals, Porvair, Prudential, RTZ, Sema, Singer & Friedlander, Stat-Plus, Sumit, Thompson Clive Inv., Tullow Oil, Wimpey (George).

Finals- Northern Industrial Improvement.

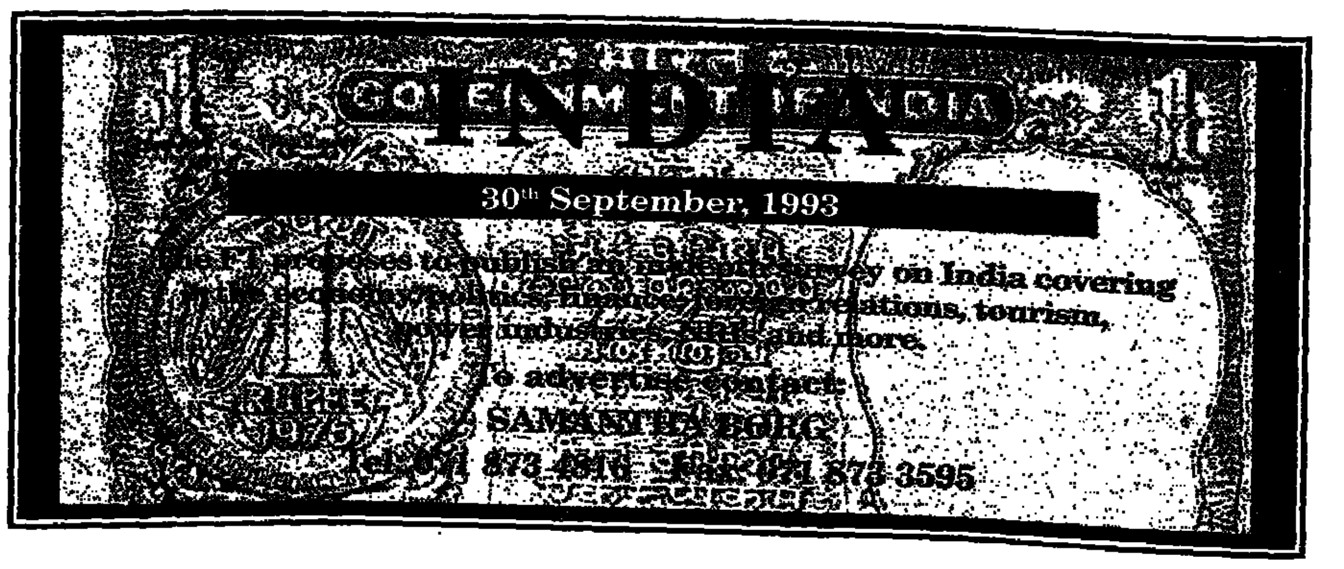
FUTURE DATES

Interims-

APV	Sep. 15
Anglian Water	Nov. 8
Canning (Wm)	Sep. 20
Central ITV	Sep. 29
Crestacare	Sep. 21
Dartmoor Inv. Trust	Sep. 15
Elys (Wimbledon)	Sep. 10
ISA	Sep. 14
Magnolia	Sep. 17
Nestor-BNA	Sep. 13
New City & Commercial	Sep. 16
Pacific Assets Trust	Sep. 9
Schroder Korea Fund	Sep. 21
Wassall	Sep. 16

Finals-

Alumasc	Sep. 22
CALA	Sep. 15
Cornwell Parker	Sep. 27
Exeter Pref. Cap. Inv.	Sep. 15
Hays	Sep. 20
Korea-Europe	Sep. 20



Recession in mainland Europe blamed for downturn at mid-term

IMI declines 3% to £35.5m

By Roland Rudd

THE RECESSION in mainland Europe and a loss in computing services affected IMI, the international engineering company, which reported a £1m fall in pre-tax profits in the half year to the end of June.

The near-3 per cent decline to £35.5m came on the back of increased sales of £546m (£515m). The shares fell 7p to 287p.

However, three of the group's four businesses increased operating profits and the lossmaking titanium business broke even in June.

The latter received a further boost by winning a long-term £10m deal to supply parts to Pratt & Whitney. Mr Alan Emson, finance director, said: "We have been anxious to break into the US market for a long time; we will now be supplying about 10 per cent of Pratt & Whitney's needs."

Special engineering, which incorporates the titanium operations, saw operating profits rise from £4.7m to £8.1m.

Building products and drinks dispensing increased profits to £11.2m (£10.9m) and £15.1m (£14.7m) respectively.

The exception was fluid power. With more than half of its business in continental Europe where the impact of the recession has been most severe, profits fell from £10.2m to £9.1m. Other and corporate business incurred a £3.8m loss (profits £400,000) as two of its computer companies, Brook Street and Redwood, slid into the red. The company blamed the loss on the downturn in information technology and the cost of introducing new software.

Mr Emson criticised the electricity duopoly which he blamed for a 16 per cent increase in electricity prices. IMI spends around £10m a year on electricity.

"We will be breathing into a lot of regulatory ears about this. It is an increase that business can ill afford."

Borrowings, which are mostly denominated in US dollars, rose to £129m (£112m), representing gearing of 34 (31) per cent. The increase was due to the stronger US dollar.

Earnings per shares fell to 6.9p (7.3p). The interim dividend is unchanged at 4.2p.

● COMMENT

It must be somewhat galling to turnaround a lossmaking business only to find another operation slide into the red. It would have been more worrying, however, had the loss been reported by one of the core businesses. As it is the deficit in the small computer operations should prove short lived. The profit fall in fluid power has more long-term implications. IMI believes it has come to the end of its recession induced rationalisation. But if the downturn in mainland Europe continues further cost cutting measures may be necessary. With forecast annual pre-tax profits of £74m the shares are on a prospective multiple of 20. That looks high enough given the uncertainty on the Continent.

Brown & Jackson loss rises to £11.5m

By David Blackwell

BROWN & JACKSON, owner of the Poundstretcher discount retail chain, fell deeper into the red in the first half of 1993.

The pre-tax loss increased from £9.73m to £11.45m. However, Mr Ian Gray, chief executive, said yesterday that the group historically had made a loss in the first half as Poundstretcher is highly dependent on Christmas trading, with 50 per cent of turnover coming between September and December.

Turnover rose by 4.7 per cent from £63.8m to £66.8m. The group said like-for-like sales in Poundstretcher were 5.5 per cent ahead. Toiletry sales rose 30 per cent and confectionery sales 20 per cent.

B&J, which operates 230 stores, is now one year into its three-year recovery plan. Three months ago it had a £21m rights issue, its second in just over a year, to reduce borrowings and finance a store opening programme.

Interest payments fell in the half to £851,000 against £2.12m and the company had net cash of £2.1m at June 30.

Losses per share fell from 5.4p to 2.5p.

Mr Gray said yesterday that significant progress had been made with the group's recovery plan. He blamed the increased loss on margin reductions from the clearance of slow moving stock early in the year, and more than £2m of capital expenditure, including the installation of an electronic point of sale system.

Working capital had been cut, mainly through a 10 per cent reduction in stocks. This had been achieved without the benefits of Epos and at a time of rising sales.

There is no interim dividend.

Boddington doubles after £15m Devenish stake sale

By Catherine Milton

HALF YEAR profits at Boddington, the pubs and wholesale group, more than doubled as the company booked a net £14.7m gain on the sale of its near 20 per cent stake in Devenish, a legacy of its failed bid for the West Country pubs group.

The group was cautious about the outlook, however. "There really are no reliable signs that the recession's grip on consumer expenditure has slackened," Mr Denis Cassidy, chairman said. July and August had not shown the usual seasonal uplift.

Pre-tax profits rose to £25.2m (£9.7m) in the six months to July 4 on the disposal of the stake in Devenish which was taken over by the Greenalls pubs and hotel company in June. Stripping out property and exceptional items, the company increased underlying pre-tax profits by 13.9 per cent to £12.2m (£10.7m).

Turnover rose to £113.2m (£111.8m) excluding the new year period because the trading year began on January 3. Pubs, the most profitable sector, moved ahead to £50.3m (£47.7m), hotels to £7.18m (£4.37m), nursing homes to £6.41m (£5.73m) with only drinks wholesaling falling back to £49.2m (£53.3m) against fierce discounting in free trade.

Operating profits rose to £14.7m (£14.1m) with pubs contributing an improved £10.3m (£10.1m), hotels £1.13m (£430,000), health care £1.6m (£1.5m) and drinks wholesaling sagging to £2.87m (£3.1m).

Interest charges fell to £3.38m (£4.05m) while borrowings rose to £101.7m (£93.7m) as the company converted a final £5.65m tranche of outstanding unsecured convertible loan stock.

Borrowings have since fallen with the proceeds from the Devenish sale. Gearing, excluding the Devenish proceeds, at the halfway stage was 47.1 per cent compared with 48.6 per cent at the year end.

The interim is 2.86p (2.6p) and earnings 18.1p (5.9p).

GTI helps Telemetrix jump to £7.9m

By Peter Pearse

WITH ALL its three companies reporting substantial profits increases, Telemetrix, the electronics and information systems company, saw pre-tax profits jump to £7.93m in the six months to June 30, though last time's £673,000 was struck after exceptional provisions of £2.93m.

Group turnover advanced to £61.5m (£46.8m).

Operating profits more than doubled to £7.95m (£3.88m), with continuing operations contributing £8.13m (£4.22m).

This was largely thanks to GTI Corporation, the data communications subsidiary which was 60.6 per cent owned by Telemetrix during the period.

It made operating profits of \$9.8m (with an exchange rate of \$1.50/£1), against \$5.7m (\$1.80/£1) last time.

Since June 30 GTI has lifted its holding in Valor, its networks components arm, a further 6.4 per cent to 97.2 per cent for \$10.5m in promissory notes, since redeemed by a public offering of 400,000 common shares in GTI. This reduced Telemetrix' holding in GTI to 58.3 per cent, though Mr Curtis said that his company's stake in Valor rose from 55 to 56.7 per cent with no outlay of cash.

Valor's sales, mainly in the US, grew 61 per cent to \$45.1m, accounting for some 70 per cent of GTI's \$64.2m (\$49.6m) total sales, though Mr Curtis acknowledged that this rate of growth in Valor's local area network business could not continue.

Zetex, the UK manufacturer of specialist semi-conductors 70 per cent of which are sold outside the UK, raised profits to £1.25m (£809,000) on turnover of £9.37m (£7.02m).

Shorn of its defence-related operations, sales at Trend, the telecommunications test equipment maker, fell to £6.76m (£7.46m), but operating profits rose to £680,000 compared with £247,000.

Further growth in its current markets would be sufficient, said Mr Tim Curtis, chief executive, but the group was looking for acquisitions to broaden its product range or to move into a new technology.

It currently has £6.6m cash.

Earnings per share emerged at 3.8p (losses 1.6p).

Phoenix Timber progress halted

By John Murrell

LOSSES before tax at Phoenix Timber Group were little changed at £1.94m for the year to March 31, against £1.96m.

However, the directors said the improved trend noted in the opening half had not been maintained and, in fact, "was reversed in the second half." They added that the withdrawal from the ERM created "renewed uncertainty".

It was pointed out that the deepening recession in the building industry had led to increasing pressure on margins and a worsening in the level of bad debts.

Substantial costs were incurred in the transfer and start up costs of production of Redmon Modular Systems. Furthermore, a review of accounting procedures at Durabella had disclosed bad debts that, in part, had arisen in earlier periods.

The group is withdrawing from the window making and timber engineering businesses and extraordinary costs relating to this decision amounted to £900,000. There was a further charge of £600,000 in respect of timber importing businesses previously closed.

The combined effect of trading losses, extraordinary charges and a property revaluation reduced shareholders' funds to £1.4m (£9m).

The continued level of borrowings compared with the fall in shareholders' funds has left the group in breach of its borrowing powers. A resolution at a forthcoming EGM will propose to ratify and approve this breach and establish a new borrowing limit.

The level of borrowings also puts the group in breach of certain banking covenants. However, as announced in August, arrangements have been made for the provision of new capital. Turnover for the year slipped to £21.57m (£23.12m). Losses per share emerged at 13.5p (13.6p).

Kynoch down 67% and shares fall sharply

Kynoch Group, the specialist healthcare company which underwent a capital reconstruction at the beginning of the year, yesterday reported a 67 per cent fall in pre-tax profits to £126,000 for the first half of 1993.

The company also warned that with the expected improvement in orders in the second half not materialising, full year figures were likely to be well below the previous year's £958,000.

The shares reacted via a 9p fall to 38p.

Mr John Salkeld, chairman, said results were hit by lower turnover in the steriliser and disinfector business, together with higher overhead costs.

The fall in steriliser sales resulted largely from budget restraints in the National Health Service. Remedial action was however, being taken.

Half-year turnover increased to £7.85m (£6.99m), but earnings per share fell from 1.6p to 0.3p.

Unipart climbs 19% to £11.3m

By John Griffiths

UNIPART, the motor parts and accessories manufacturer and distributor, increased its pre-tax profits by 19 per cent from £9.5m to £11.3m in the first half of 1993.

The company, which is investing heavily to increase its component manufacturing operations, also disclosed that its Premier Exhausts subsidiary has secured contracts to supply exhaust systems to Saab, the General Motors-controlled executive car maker.

The contracts, worth £6m a year, mark a significant step in a drive by Unipart's to broaden its manufacturing customer base in Europe. Once primarily a distributor and maker of parts for its former owner, Rover Group, Unipart also began manufacturing components for Honda several years ago.

This year it has begun supplying Toyota's Derbyshire car plant with flywheels, axle housings and shafts through Advanced Engineering Systems, a joint venture with Beans Industries in which Unipart has an 80 per cent stake.

The first-half profit increase was on sales 5.6 per cent higher at £353.2m (£334.6m). Profit before interest rose by 21 per cent to £11m. No tax was payable.

The company, which is 46 per cent owned by employees and managers, 20 per cent by Rover and the remainder by institutions, has revalued the shares bought for 5p by employees when Unipart was privatised in 1987. They now stand at 980p.

Capital Industries makes acquisition

Capital Industries has purchased the business and certain assets of Property Enterprise Managers for £829,000. Unaudited accounts for the year ended June 30 1993 indicated a pre-tax loss of £1.5m on turnover of £1.2m.

Govett Strategic Trust calls EGM to take vote on survival

By Philip Coggan, Personal Finance Editor

GOVETT STRATEGIC Investment Trust, the small and medium companies specialist with total assets of about £400m, has called an extraordinary general meeting to propose that its life be extended.

A simple resolution "That the company continue in existence" will be proposed at an EGM on September 23, and requires a bare majority to be passed. The resolution dates from an change in the company's Articles dating back to December 1991, under which shareholders were given the right to vote on the liquidation of the trust at the 1993 annual meeting and at subsequent three year intervals.

The poor performance of small company shares and a high level of gearing caused Govett Strategic immense problems after the 1987 stock market crash. In each of the financial years 1987-88 and 1990-91 the trust's net asset value fell by 44 per cent.

Shareholder disgruntlement led to the "smoking fuse" clause in December 1991, designed to help narrow the discount to net assets at which the shares traded.

At the same time, managers John Govett were given a performance-related management fee, based on their ability to outperform the FT-A All-Share Index.

Govett Strategic's board argues that the trust should continue because:

● the trust's performance has shown a significant improvement both absolutely and against the All-Share.

● signs of recovery make this an inappropriate time to liquidate the trust. In any case, the costs of liquidation would be substantial, especially given that some £95m of debentures, which are trading above par, would have to be redeemed.

● the management agreement with John Govett has been renegotiated and is likely to cost less than the current arrangement. Under the current arrangement, Govett gets 0.375 per cent of total assets per annum, plus a 0.135 per cent performance-related fee. The new scheme would give Govett 0.5 per cent of equity assets, but only 0.125 per cent of bond assets.

● the trust can use its reserves to at least maintain the total dividend for the next three years.

Littlewoods boost for Iceland

By David Blackwell

ICELAND Group, the food retailer, reported pre-tax profits in the six months to July 3 up by 24 per cent from £24.2m to £30.1m

Mr Malcolm Walker, chairman and chief executive, said the outstanding feature of the period had been the success of Iceland at Littlewoods food halls. Of 50 new stores opened in the half 20 were in Littlewoods shops.

Two Littlewoods halls are being opened each week. Mr Walker expects to reach the full complement of 48 by the end of October.

Turnover rose by 16 per cent to £555.3m (£480m). Like-for-like food sales were ahead by 7 per cent.

Mr Walker said that the food retail market was becoming increasingly competitive. Operating margins eased from 6.1 per cent to 5.9 per cent.

Operating profits were ahead 12 per cent to £32.7m (£29.1m). Profits at the pre-tax level were lifted by a halving of interest charges to £2.55m (£4.93m), reflecting lower rates, reduced borrowings and better cash flow.

By the end of the year the group expects total borrowings to be between £70m and £80m.

Earlier this year the group changed its name from Iceland Frozen Foods in order to cast off its image as a freezer centre. In the first half frozen foods accounted for 54 per cent of sales, with 23.5 per cent to groceries, 15 per cent to chilled and 7.5 per cent in fresh goods.

Customers per week have reached 3.4m. In Iceland an average spend of £7.50 per customer had been static for two years. In Littlewoods the average number of customers was twice as high, but their average spend was half that of an Iceland customer.

The group opened its first Iceland store in France in June, and has followed up with three more in an experiment described as tightly controlled with low risk. The stores sell more than 180 of its standard UK products.

Fully diluted earnings per share were 6.75p, up from 5.48p. The interim dividend is lifted to 1.2p, against an adjusted 1.03p.

● COMMENT

While nobody in the food sector is immune to the battles between the supermarkets, Mr Malcolm Walker is probably correct in his insistence that Iceland is not a scaled down supermarket and will therefore come through relatively unscathed. The link with Littlewoods appears to have been a shrewd move which will accelerate the evolutionary changes in Iceland's product mix. If the French experiment fails, the group can walk away at little cost, but it has everything to go for. It is on target to open a record 100 stores this year, and the £30m Swindon distribution centre is on schedule to open next spring. Full year earnings per share are heading for about 14.5p, showing that Iceland can trade well in a hostile environment. The multiple of 15.5 makes them attractive enough.

NEWS DIGEST

Industrial Control up at £6.23m

INDUSTRIAL Control Services Group, the electronic safety systems manufacturer which obtained a listing last year, raised pre-tax profits by 34 per cent from £4.64m to £6.23m in the year ended May 31. Turnover climbed 13 per cent to £72.9m.

Mr Peter Hall, chairman, said the results were satisfactory and took account of the dilutive effect of the joint venture with Elsag Bailey which was forecast last year.

The Bailey ICS joint venture and acquisitions had contributed to the results and Mr Hall was confident that the current year would continue well.

The group was gaining a substantial amount of work in the North Sea, while continuing to win new contracts in the Middle East and Far East. In addition, the proposed joint venture in China was expected to establish an entry into the market.

Earnings per share rose by 7 per cent to 9.76p (9.1p) after allowing for the joint venture dilution, and the recommended final dividend of 3.07p makes a total for the year of 4.4p (special 0.3p).

The 1992 flotation proceeds helped reduce interest charges to £692,000 (£1.44m) in the year. Gearing at year end was 37 per cent.

Home Counties News at £94,000

Home Counties Newspapers Holdings achieved a turnround in its core publishing business where trading losses of £203,000 became profits of £331,000 in the first half of this year.

However, rationalisation costs and exceptional profits resulted in the pre-tax figure falling from £546,000 to £94,000. Turnover was £12.1m, compared with £11.3m.

The figure was after rationalisation costs of £296,000 relating to redundancy costs. Last time there was a £512,000 gain from the sale of Reuters shares.

At the end of the period, cash balances at £1.91m were up on six months earlier. However interest received fell to £59,000 (£237,000).

From earnings per share of 0.63p (3.66p) the interim dividend is being cut from 2.75p to 2p.

Aviva Petroleum cuts losses

Aviva Petroleum, the Texas-based oil and gas company quoted in London, cut its net loss from a restated $8m to $269,000 (£175,800) for the first half of 1993.

The company said that $6.4m of the $7.7m improvement in its result reflected a change in accounting for oil and gas assets from the "successful efforts" to the "full cost" method.

In addition the latest figure included a full six months of production at two of the company's Colombian wells, compared with only three months of the 1992 half. This lifted its Colombian oil revenues by $1.3m.

Total oil and gas sales advanced to $5.4m ($4.28m). Losses per share were 1 cent, compared with a previous $1.53.

Aviva said its financial health was continuing to improve. Earlier this month it finished restructuring its banking facilities, making funds available for its Colombian exploration and development programme.

In July it completed a 12.9m common share placing at 95 cents per share with a group of US institutions and private investors to raise $11.3m after costs.

Portfolio changes lift St Modwen shares

Shares in St Modwen Properties, the property development and investment holding company, rose 3p to 45p following the announcement of changes to its portfolios.

It is selling Springfield Retail Park in Stoke-on-Trent, Staffordshire and its Post Office Counters warehouse development in Salford, Greater Manchester, to institutional investors for £7m.

It has also sold an office investment in Kennington, south London, to an overseas buyer and has bought a property in Hounslow, west London, from a UK institution.

Following these transactions the rent roll has increased by more than £850,000 to £8.8m for an investment of about £4m.

Changes for SE Asian Warrant Fund

South East Asian Warrant Fund, an investment company, is proposing to turn itself into an open-ended fund with monthly redemptions.

According to Olliff & Partners, the brokers, the fund has gross assets of about $20m (£13m) and is trading at a discount of approximately 10.5 per cent.

The fund had originally planned a share buy-back scheme to eliminate the discount but this was opposed by a large stakeholder, Regent Fund Management. The new proposals will be considered at extraordinary meetings to be held before the end of October.

PowerGen to raise interim by 18%

By Michael Smith

POWERGEN, Britain's second largest electricity generation company, is to raise its interim dividend by 18 per cent – paving the way for another round of high payouts for shareholders in the sector.

The increase, announced at yesterday's annual meeting, follows a series of above-average increases announced in the final year results of the sector two to three months ago. PowerGen's total dividend for last year was 13.5 per cent ahead of 1991-92s.

Yesterday's announcement, which will take the interim dividend for the year ending April 3 1994 to 3.95p, led to a slight fall in PowerGen's shares initially.

That reflected disappointment that PowerGen had not gone further following bullish statements on dividends three months ago.

Its share price recovered to close ½p down at 393½p after analysts cautioned that it would have been imprudent of the company to lift dividends too high during a review by the industry regulator on the generators' costs and margins.

This is due to be completed by the end of the year.

SG Warburg Securities left its forecast for the full year dividend at 12.5p, a rise of 19 per cent.

Separately, Sir Colin Southgate, chairman of Thorn EMI, assumed the chairmanship of PowerGen yesterday in succession to Sir Graham Day.

He said the management's control of costs and the renewal of coal contracts would lead to a 17 per cent real reduction in the price of electricity to the regional electricity companies over the next five years.

The second of the company's three planned gas fired stations, at Rye House in Hertfordshire, would be commissioned shortly. It would open on time and within budget.

The interim dividend will be payable on November 12.

Croda recovery continues with 29% rise to £18.5m

By Andrew Bolger

SHARES IN Croda International rose by 19p to 330p after the speciality chemicals and coatings group reported a continuing recovery in profits.

At the pre-tax level they rose by 29 per cent, from £14.3m to £18.5m, in the six months to June 30. Turnover was 13 cent higher at £207.3m (£183.7m).

Currency translation boosted both the profits and sales figures by 8 percentage points.

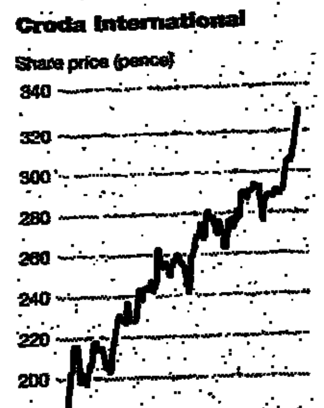
Mr Michael Valentine, chairman, said chemicals increased trading profit from £15.5m to £18.7m, which represented 82 per cent of the total. Sales rose from £122.8m to £134.7m.

He said: "All our major UK operations performed well and a key factor in this good performance was the growth of our exports."

Substantial capital expenditure in recent years in the UK plants continued to pay off, with better products being produced by fewer people. The UK workforce fell by 130 to 2,528. Overseas operations also performed well, particularly in the US, Japan and Singapore.

Trading profits from the group's coatings division were flat at £3.4m (£3.3m), reflecting competitive pressures in the industrial paint and ink markets. Sales grew from £42m to £52.8m. The Australian and New Zealand operations improved profits, but the US inks business disappointed.

Croda International



Source: FT Graphite

Cosmetics and toiletries, which increased sales from £18.9m to £19.8m, made a small trading profit of £500,000, compared with a loss of £200,000 last time. However, customer demand remained weak on both sides of the Channel.

Mr Valentine said trading outlook continued to be encouraging with clearer signs of recovery in many markets, although not yet in continental Europe.

However, he believed that while the failure of fixed exchange rate parities in Europe might increase competition, "we shall benefit overall from improvements in economies which have for some time been artificially held in recession."

Earnings per share rose by 31 per cent to 9.4p (7.2p). The interim divided is lifted by 7 per cent to 2.95p (2.75p).

● COMMENT

Croda is reaping the benefits of heavy investment, recovering markets and a market shift towards higher purity and more natural chemicals, which the group has positioned itself to benefit from. The small cosmetic and toiletries division is languishing and coatings has been under pressure, but overall Croda can look ahead confidently to increasing demand. The share price has nearly doubled in the past year and forecast full-year profits of £38.5m put the shares on a prospective multiple of 17.2. That 8 per cent premium to the market does not seem unjustified, but the shares have had a good run recently and look due a period of consolidation.

Expamet moves back into the black with £1.95m

EXPAMET International, the building, industrial and security components supplier, reported pre-tax profits for the six months to June 30 of £1.95m, against losses of £6.81m. The comparative figure was restated from profits of £2.45m for FRS 3.

During the period the company completed the sale of non-core activities resulting in exceptional gains of £303,000, against a charge of £9.08m.

Group turnover for continuing businesses advanced to £62.8m (£57.4m) with a further £5.5m (£15.1m) from discontinued activities. Continuing operating profits were 15 per cent ahead at £3.34m (£2.89m) with discontinued losses of £338,000 (£823,000 profits).

A breakdown of continuing operating profits showed security division at £700,000 (same), industrial £1m (£700,000) and building £1.6m (£1.5m).

At the end of the period borrowings were £18.7m against shareholders funds of £16.7m.

The company said that continental Europe being in recession and the UK and US unable to show other than a fragile and patchy recovery did not help prospects.

Considerable costs were being incurred to cut overheads and improve efficiency. The full benefit of these measures would not be felt until next year.

Earnings were 2.49p (losses 11.81p). The interim dividend is cut to 1.25p (2.09p).

Continued progress for Metsec

THE RECOVERY seen in the second half of the previous year continued in the first six months of 1993 at Metsec and a loss of £868,000 was converted into a profit of £505,000 pre-tax.

The USM-quoted company, which has interests in building products, electronics and engineering, said profits were generated in all divisions. The most marked improvement was in the overseas activities of pneumatic tube systems

Turnover was £25.9m (£31.1m). The result was helped by a fall of £100,000 in interest charged. Earnings were 2.48p (losses 5.75p).

LEGAL NOTICES

OFFICE OF FAIR TRADING

Competition Act 1980

Notice under Section 3(2)(b)

FIFE SCOTTISH OMNIBUSES LIMITED

Under section 3 of the Competition Act 1980, the Director General of Fair Trading is to investigate whether Fife Scottish Omnibuses Limited ("the company") has been or is pursuing a course of conduct which amounts to an anti-competitive practice.

The matters to be investigated are:

(1) the conduct of the company in respect of the operation of commercial bus services on subsidised routes in the Fife Region of Scotland;

(2) whether that conduct, of itself or when taken together with a course of conduct pursued by persons associated with the company, has or is intended to have or is likely to have the effect of restricting, distorting or preventing competition in connection with the supply of commercial bus services on subsidised routes in the Fife Region of Scotland.

If you have any information which you consider would help the Director General, please write to: Office of Fair Trading, Branch CPID, Room C425, Chancery House, 53-64 Chancery Lane, London WC2A 1SP.

Your letter should arrive as soon as possible if it is to be taken into account in the inquiry.

PETER JAROCKI

ITALY

Take notice that an action has been commenced against you in the High Court Chancery Division CH 1993 N 3467 by National Westminster Bank Plc of 41 Lothbury London EC2P 2BP in which the Plaintiff's claim is for (1) a declaration that the shares set out in the schedule to the Originating Summons are charged under and by virtue of a Memorandum of Deposit dated 19th June 1990 made between you as the Mortgagor and the Plaintiff with payment of all monies now due from you to the Plaintiff (2) an order for the sale of the above mentioned shares (3) further or other relief and (4) costs.

And that it has been ordered that service of the Originating Summons in the said Action on you be effected by this advertisement.

AND FURTHER TAKE NOTICE that you must acknowledge service of the said Originating Summons by completing a prescribed form of acknowledgement of service which may be obtained on request from the Solicitors whose name and address appear below otherwise judgment may be entered against you.

(Signed) WILDE SAPTE of Queensbridge House, 60 Upper Thames Street, London EC4V 3BD Solicitors for the Plaintiff. Ref: AXS/294361

Dated: 6 September 1993

TENDER NOTICE

UK GOVERNMENT ECU TREASURY BILLS

For tender on 14 September 1993

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 1,000 million nominal of UK Government ECU Treasury Bills, for tender on a bid-yield basis on Tuesday, 14 September 1993. An additional ECU 50 million nominal of Bills will be allotted directly to the Bank of England.

2. The ECU 1,000 million of Bills to be issued by tender will be dated 16 September 1993 and will be in the following maturities:

ECU 200 million for maturity on 14 October 1993
ECU 500 million for maturity on 16 December 1993
ECU 300 million for maturity on 10 March 1994

3. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Securities Office, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 14 September 1993. Payment for Bills allotted will be due on Thursday, 16 September 1993.

4. Each tender at each yield for each maturity must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

5. Tenders must be made on a yield basis (calculated on the basis of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the amount tendered for.

6. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euro-clear or CEDEL, Bills will be credited in the relevant systems against payment. For applicants who have requested definitive Bills, Bills will be available for collection at the Securities Office of the Bank of England after 1.30 p.m. on Thursday, 16 September 1993 provided cleared funds have been credited to the Bank of England's ECU Treasury Bills Account No. 59005516 with Lloyds Bank Plc, International Banking Division, PO Box 19, Hays Lane House, 1 Hays Lane, London SE1 2HA. Definitive Bills will be available in amounts of ECU 10,000, ECU 50,000, ECU 100,000, ECU 500,000, ECU 1,000,000, ECU 5,000,000 and ECU 10,000,000 nominal.

7. Her Majesty's Treasury reserve the right to reject any or part of any tender.

8. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 28 March 1989, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of that Information Memorandum (as supplemented).

9. The ECU 50 million of Bills to be allotted directly to the Bank of England will be for maturity on 10 March 1994. These Bills may be made available through sale and repurchase transactions to the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

10. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Bills are issued under the Treasury Bills Act 1877, the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England
7 September 1993

Currency movements account for about half of profits increase

Macro 4 advances to £10.5m

By Paul Taylor

MACRO 4, the mainframe computer software group, yesterday reported higher full year pre-tax profits and turnover, helped by currency movements which accounted for about half of the gains.

Profits at the pre-tax level increased by 20 per cent to £10.5m in the 12 months to June 30 on turnover which grew by 22.3 per cent to £23.3m. Net interest income was flat at £1.28m (£1.29m).

Earnings per share rose by 18.9 per cent to 31.5p and a final dividend of 11.48p makes a same-again 17.75p. However, the comparative dividend included a special 5p payment.

The group's share price gained 10p to close at 663p.

The overseas proportion of turnover increased to 80 per cent (76 per cent), of which 39 per cent originated in continental Europe and 36 per cent came from the US.

Mr Terry Kelly, chairman, said currency movements, particularly the dollar, had a significant impact on the consolidated results which were based on a year-end exchange rate of $1.49 compared with $1.90. On a like-for-like basis, turnover would have increased by 11.4 per cent to £21.2m and pre-tax profits by 9 per cent to £9.54m.

Group cash balances continued to grow and totalled £19.75m (£15.6m) at the end of June, including £1.56m to cover a delayed tax payment.

The £4.14m increase reflected the strong cash generative nature of the group's activities and came despite higher dividend payments in 1992 which included the 5p special.

Mr Kelly said the group had continued to make progress "despite continued difficult trading conditions." He said cancellations were continuing to impact the installed revenue base, but were still being outpaced by new sales.

All of the group's subsidiaries managed to improve their turnover and contribution to profits in local currency terms "despite less than buoyant local economic conditions, strong competition and extended decision cycles."

During the year the group set up its own subsidiary in Spain, replacing a series of unsatisfactory agents, and has begun to launch a range of products for the AS/400 mid-range computer market to complement its core mainframe software products designed to run on any IBM or IBM compatible machines.

Revival in demand lifts Headlam to £1.13m

A REVIVAL in consumer demand has boosted the profits of Headlam, the acquisitive fabrics and flooring distribution group, in the first half of 1993, writes Tim Burt.

Backed up by increased efficiency and tight financial controls the pre-tax profit climbed from £313,000 to £1.13m on turnover up by 78 per cent to £43m (£24m).

Mr Ian Kirkham, chief executive, said the group was not planning further acquisitions in the near future but concentrating instead on improving the "motley collection of [eight] businesses" purchased since January 1992.

Mr Graham Waldron, chairman, said the profit growth mainly reflected the success of the floor covering division, particularly through demand for Aquatex, the industrial walkway product.

Difficult trading conditions, however, had kept its footwear sector only at break-even levels; while the contribution of the fabric divisions was expected to be enhanced by the past year's acquisitions.

Earnings per share increased from 0.86p to 2.88p and the interim dividend is stepped up from 0.75p to 0.85p.

Newman Tonks rises to £8m but cuts pay-out

By Tim Burt

NEWMAN TONKS, the biggest manufacturer in Europe of architectural hardware, hailed a sharp improvement in its US business as the main factor behind an increase in pre-tax profits for the first half of 1993.

For the period to June 30 1993, compared with the six months ended April 30 1992, turnover rose to £128.7m (£109.4m) and the profit came out at £8.11m (£6.62m). Earnings per share were 3.73p (3.5p).

However, the company is cutting its interim dividend by about one-third from 3.8p to 2.53p and warned that the final would be reduced by a similar amount (last year 5.5p was paid).

It explained that the poor market conditions in Britain, where 63 per cent of turnover was earned, meant it could not maintain dividend levels.

"Continuation of the present level of dividend payments, and the consequent burden of irrevocable ACT, would have a detrimental effect on cash flow. Rebasing the dividend at a more affordable level will enable the group to grow at a faster rate."

Operating profits in the US, where two subsidiaries manufacture locks and a third makes timber columns, more than doubled to £1.97m (£897,000).

Mr Geoff Gahan, chief executive, said stronger sales overseas had helped turnover grow. The improvement had been boosted by currency fluctuations and the devaluation of sterling, he added, citing the success of Tesa, the partly-owned subsidiary in Spain, where the weak peseta had enabled it to export 60 per cent of its output to the US.

The strong performance in the US and steady growth in UK operating profit, up to £4m (£3.37m), was the result of a two year rationalisation programme in which the workforce had been cut by 18 per cent since 1990 and a number of smaller businesses closed.

Although the rationalisation was now complete Mr Gahan said: "We will not hesitate to cut costs further if necessary."

Net bank borrowings, meanwhile, increased to £30.5m (£16.2m).

This mainly reflected the final dividend payment for 1992 totalling £9m, a £900,000 acquisition in New Zealand and capital expenditure of more than £5m.

Cost cutting and improving markets help Adscene

COST CUTTING and a steady improvement in the market helped Adscene Group, the Canterbury-based newspaper publisher, to raise pre-tax profits by 30 per cent from £1.61m to £2.1m in the year ended May 31.

The shares responded with a 12p rise to 187p.

Turnover was 7 per cent lower at £13.96m (£15.04m) and with operating profits ahead from £2.09m to £2.3m, margins grew from 13.9 per cent to 16.5 per cent.

Mr Harry Lambert, chairman and chief executive, said that after a strong end to the year trading had continued to improve in the first quarter.

Turnover had increased and advertising revenues of the publishing division had shown consistent improvements.

Based on this performance, he looked forward to a "most satisfactory year."

With earnings per share up 19 per cent to 10.1p (8.5p), the recommended final dividend has been raised to 3.2p (2.5p) for a total 1p higher at 5p.

The publishing side had a good year, especially in the second half when the group experienced a marked improvement in trading conditions. Operating profits grew by 15 per cent to £1.66m.

In printing, as a result of changed work schedules following more work from the publishing division and tight cost control, margins were lifted from 12.1 per cent to 25 per cent. Profits increased from £460,000 to £616,000.

Strong cash flow enabled the group to repay £1.78m of debt and reduce gearing from 32 per cent to 13 per cent at the year end.

Cantors hit by recession

A FALL in pre-tax profits, from £2.1m to £1.67m, was announced by Cantors, the retail furnishing group, for the year to April 24.

The result was achieved on turnover of £60.3m (£63.3m) which reflected the continuing recession.

There was some slight improvement in current trading and early results from the new units in retail parks were encouraging.

Earnings per share were 6.66p (9.02p). The final is held at 3p for a maintained 4p total.

Avonside begins to improve

PROFITS of Avonside, the building services and housebuilding group, fell from £2.8m to £2.2m pre-tax for the half year ended June 30.

However, the directors said the increased activity experienced in the opening quarter had continued through the first half.

Explaining the downturn they noted that an extremely low level of housing reservations in the final quarter of 1992 had translated into a low level of sales completions in the first quarter of 1993.

Operating profits for that period fell from £1.2m to £500,000, but for the second quarter improved from £1.6m to £1.8m.

Sales completions of 31 units in the first quarter compared with 87 in the second quarter. In total, sales for the half year were down by seven units to 118.

The directors believed that the worst of the recession in the housing market was now coming to an end and that the sales upturn in both segments of the group in the second quarter would be sustained during the rest of the year.

First half turnover expanded from £25.9m to £28.5m. Acquisitions added £832,000 to turnover and £126,000 to profits.

Earnings fell to 3.41p (4.37p) but the interim dividend is being lifted to 1.9p (1.8p).

Transfer Technology up 62%

TRANSFER Technology, the West Midlands-based specialist engineer, yesterday said moves to reduce its dependence on the European motor industry had paved the way for a 61.5 per cent increase in pre-tax profits, writes Tim Burt.

In the first half of 1993 turnover rose 33 per cent to £65m (£48.9m) and profits worked through at £5.6m (£3.5m).

Mr Geoffrey Robinson, chairman, said a decline in operating profit of the automotive division – from £1.7m to £1.43m – was offset by strong exports and profitable acquisitions in the control and manufacturing technology sector.

In the technology division operating profit rose from £1.8m to £3.64m, and substantial orders from China and the purchase of two specialist US companies would lead to further growth, he said.

Mr Robinson said no further acquisitions or rights issues were planned. Instead the group would concentrate on organic growth.

Predicting that the benefits of such growth will feed through in the second half, the company has declared a modest increase in the interim dividend to 6.5p (6.25p) but said the final would reflect the improved results.

Earnings per share, after the rights issue to fund the acquisition of the Fenworth components group, rose to 22.3p (20.1p).

There is to be an extraordinary meeting will consider a sub-division of the shares from 50p to 10p, and a change of name to TransTec.

New sites help Frost to 30% growth

By David Blackwell

FROST GROUP, the biggest independent petrol retailer in the UK, boosted profits and turnover sharply in the face of a 2 per cent fall in the industry's first half sales.

Pre-tax profits rose by 30 per cent, from £2.57m to £3.34m. Turnover advanced by 59 per cent, from £51.5m to £81.8m.

Mr John Murgatroyd, group finance director, said that sales volume had risen following the opening of 22 new sites in the first half.

The group, which was floated in October 1991 with 79 sites, had 148 at the end of June, mainly in the Midlands and the north of England.

A further 35 purchases were under negotiation. "We said on flotation that we were looking for 250 sites by 1997. It looks as if we will achieve that much earlier," he said.

Mr James Frost, chairman, said the strong performance owed a lot to the large number of site acquisitions and to the ability to bring them on stream very quickly and to good effect.

"I would expect the same pattern to apply to the second half of the year", he told shareholders.

The introduction of the Smilies concept of corner shop selling had gone well to date and should be completed by the year-end.

Interest payable was £200,000 (nil) as borrowings rose to £5.7m at the end of June.

Margins had been squeezed by the fight for market share as overall petrol and diesel sales fell. The group now expected the market to increase through more new car sales and falling unemployment, and believed itself well placed to take advantage of any upturn from 1994 and onwards.

The group operates its sites through licensees, who pay a fee to run and take the profits from forecourt shops. Mr Murgatroyd said that the current spend in the shops was £76 for every 1,000 litres of fuel sold, but the figure was "growing rapidly."

Earnings per share rose to 4.3p (3.5p) and the interim dividend is stepped up to 2.2p (1.8p).

Seasonal losses deepen at JW Spear

SEASONAL LOSSES at JW Spear & Sons, the toys and games company, deepened from £315,000 to £861,000 in the half year to July 2.

The company blamed delayed orders and the inclusion of usual losses from two acquisitions.

Turnover was static at £8.12m (£8.28m).

Exports and the addition of purchases in Belgium and the Netherlands made up for lower UK sales.

The company said that the seasonal pattern had changed as customers had proceeded cautiously.

Fully diluted losses per share were 12.35p (4.8p).

The interim dividend is being raised to 3p (2.5p).

Mr Francis Spear, chairman, said that orders were now ahead of the previous year.

He thought it would be another year of steady growth.

NEWS DIGEST

Wyevale Garden ahead 20%

WYEVALE Garden Centres lifted pre-tax profits by 20 per cent from £3.09m to £3.71m in the six months ended June 30.

The result was achieved on turnover 8 per cent ahead to £22m (£20.3m) and were in spite of adverse weather conditions in the peak selling months of April and May, said Mr Christopher Powell, chairman.

He said the group had experienced 11 months of continued recovery across all geographical locations and against that background a more positive approach was being adopted towards further acquisitions. Wyevale currently operates 41 garden centres and five high street shops.

Earnings per share emerged at 8.7p (7.3p) and the interim dividend is lifted to 2.75p (2.48p). The company's shares trade on the USM.

Ben Bailey

Ben Bailey Construction, the Yorkshire house builder, returned to profit over the 12 months ended June 30, making £101,000 pre-tax.

The period is part of an 18 month accounting term to December 31. In the second six months there was a profit of £77,000 compared with a loss of £550,000. Loss for the year ended June 30 1992 was £443,000.

Earnings per share worked through at 0.67p (losses 2.98p) for the 12 months. A second interim dividend of 0.3p is declared to maintain 0.55p.

The directors said the new housing market remained difficult, but there had been some signs of buyer confidence returning.

TR Euro Growth

Net asset value per ordinary share of TR European Growth Trust improved from 97.88p to 117.64p over the 12 months ended June 30.

The directors said the figure was helped by improved European stock markets with smaller companies returning to favour.

Gross revenue for the past year benefited from sterling's weakness and expanded to £1.84m (£1.72m).

Net revenue worked through at £1m (£881,000), equal to earnings of 2.61p (2.29p). The single dividend is being lifted from 1.35p to 1.7p.

Reece losses cut

A substantial reduction in first half losses at Reece has come from cost reductions, points out the chairman Mr Peter Knapton. Once sales pick up the low cost base should ensure a return to profits.

In the first half of 1993 turnover fell from £6.56m to £6.14m and losses were cut from £183,000 to £11,000. In the whole of 1992 there was a deficit of £662,000.

All divisions traded more profitably. The door panels operation returned to profit helped by higher exports and cost control, while the fasteners activity turned in a much reduced operating deficit, again principally through cost savings.

Brooke Tool

Reflecting their increasing confidence in the future of Brooke Tool Engineering, the directors propose a capital restructuring which will lead to a return to dividends.

Subject to shareholders' and Court approval, the share premium account will be reduced by £1.1m. Depending on results for the year ending September 30 1993 this will enable the company to pay dividend out of future earnings.

EFM Income

Over the three months ended July 31 1993 net asset value of ordinary shares at EFM Income Trust rose from 45.9p to 50.2p.

Similarly, the value of zero dividend preference shares was ahead from 43.7p to 44.9p.

On the revenue side, first quarter pre-tax revenue fell from £303,000 to £206,000, with earnings per share working through at 1.1p (1.5p).

The first interim dividend is cut from 1.2p to 1p.

Harrington Kilbride

Strong organic growth in both international and UK contract publishing helped Harrington Kilbride, the specialist magazine publisher, turn in a 47 per cent increase in pre-tax profit for the half year ended June 30, up from £422,000 to £621,000.

Turnover was 58 per cent ahead at £8.76m (£5.53m).

Earnings per share advanced to 4.1p (2.7p) and the interim dividend is 1.7p (1.5p).

Burmah Castrol

Burmah Castrol, the international manufacturer and marketer of specialised oil and chemical products, has set up a new trading company in Thailand in partnership with Loxley, the partner of sister company Castrol in Thailand.

The joint venture, to be known as Foseco (Thailand), will be 74 per cent-owned by Burmah Castrol. It will source and supply metallurgical chemicals from the area.

Gold plunges another $10 in fresh sell-off

By Kenneth Gooding, Mining Correspondent

GOLD'S PRICE plummeted again yesterday, dropping by more than $10 a troy ounce as the computer programmes used by some New York investment funds sent out fresh "sell" signals. The sell-off triggered similar plunges in other precious metals and gold share prices.

Gold lost nearly 3 per cent of its value and fell to $351.50 an ounce at one point in London before closing $10.10 down at $354.25.

The yellow metal has come down with a bump from $406.70 an ounce on August 2, the peak of the recent rally and yesterday was at its lowest level since early May. On the first trading day of 1993 gold touched $327, a seven-year low.

Dealers said that there was some demand for physical gold as the price approached $350 yesterday but some were doubtful whether this would be enough to stem the landslide. "It doesn't matter if the physical buyers come back or not, the funds are in charge," said one.

Mr Euan Worthington, head of the mining team at the S.G. Warburg financial services group, suggested the gold price had more or less reached bottom although the next technical support point was $340. "It certainly won't go back to $325 and could improve slowly from now on and be making its way towards $400 in six months time," he said. He pointed out that gold is emerging from a time of seasonally weak demand but "physical demand is firm and could get firmer now the price has come back".

Mr Ted Arnold, analyst at the Merrill Lynch financial services group, told clients during a presentation in Antwerp yesterday that he suspected there would be many more attempts in the coming months to push up the gold price – "and each time the bulls will find some wonderful reason for doing so".

He predicted that each time the price would fall back because "the true equilibrium price for gold at present probably lies somewhere between $340 and $300 an ounce. The higher the averages remain above this level, the more likely we are to see sharp drops in physical demand and increased disinvestment sales and a higher level of scrap recovery".

China lifts official price

CHINA, WHERE high inflation and rapidly rising incomes have spawned a gold fever, has almost doubled the state purchasing price of the precious metal to stimulate production and combat smuggling.

The official China Gold News said the state purchasing price of gold had been raised to Yn96 ($16 8) a gramme from Yn51.2 as from September 1. It was the second price increase this year and the biggest rise ever. The price had been raised from Yn48 on May 20.

An official of the China National Gold Corporation said the increase was aimed at bringing China's domestic price closer to world levels, increasing domestic production and discouraging sales to the non-official market.

Asked what national output would be in 1993, he said that remained a state secret.

Rapidly rising incomes and inflation running at nearly 20 per cent in major cities have caused a gold fever, making China the world's biggest importer of gold last year, according to trade estimates.

Oil prices near 3-year lows as over-production continues

By Richard Mooney

THE RECENT slide in oil prices gathered pace again yesterday, taking nearby delivery quotations close to three year lows.

In the European physical market the October price for North Sea Brent Blend crude traded down 38½ cents to $16.14 a barrel, the lowest level for the second month price since July 19, when it briefly dipped below $16 a barrel for the first time in three years.

Mr Peter Gignoux, head of the energy desk at Smith Barney in London, said the problem was that there was "precious little new news" and the market was concentrating on "the re-occurrence of old facts", like the Organisation of Petroleum Exporting Countries' inaction in the face of persistent overproduction and continuing concern about the prospect of the return of Iraqi oil to the world market.

Traders hold out little hope that Opec will take decisive action at its meeting on September 25 to get members' aggregate production down to the target level of 23.6m barrels a day.

According to the Middle East Economic Survey the organisation's production fell last month by 450,000 b/d to 24.335 b/d, but Mr Gignoux said MEES was "the odd man out" with most estimates of August production being much higher. Topping the range at the moment is the Petroleum Intelligence weekly with its estimate of 25.05b/d.

Meanwhile, said Mr Gignoux, UN-Iraqi talks were proving "more ongoing" than many had expected, especially as the country had switched the emphasis from a one-off sale of $1.6bn worth of oil to pay for humanitarian aid to the permanent relaxation of the embargo on its exports.

S African synthetic fuel decision sparks new row

By Philip Gawith in Johannesburg

The South African government's decision to authorised the continued operation of the controversial R12bn (£1.65bn) Mossgas synthetic fuel project has prompted renewed calls for deregulation of the fuel industry in the country.

The decision, announced by Mr George Bartlett, minister of mineral and energy affairs, follows a recent special report by the auditor general recommending that Mossgas, which came on stream recently, continue to operate as there were sufficient social and economic benefits to offset the project's marginal viability.

The green light for for the Southern Cape project - which converts underground natural gas into petrol, diesel and kerosene – coincided with the government's announcement that petrol prices would be increased by 7 cents a litre to R1.82 from September 15. This will bring the price increase since last October to 19.7 per cent.

Mr Bartlett said the weakening rand/dollar exchange rate necessitated the price hike, but the Automobile Association rejected that explanation, saying it was the result of the high subsidies required to support the synthetic fuel projects, Mossgas and Sasol.

Mr Roger Hulley, energy spokesman for the opposition Democratic Party called for the deregulation of the oil industry. He said the motorist was having to pay a price 40 per cent higher than world crude oil prices because of a misguided synthetic fuel policy.

The legacy of the sanctions years is that South Africa still has a highly regulated oil industry. The government sets the retail price, which may not be undercut. It limits the number of petrol stations, sets the wholesale margin and still purchases crude oil for the industry. Although government still favours the current regulatory structure, it has contributed to the deregulation discussion by recently publishing a 32 page document "Government's involvement in the oil industry".

Mr Bartlett said the cabinet had decided that Mossgas should receive import parity revenue for its products. The import parity price, which Sasol, the other synthetic fuel producer receives, is the base price at which fuel in South Africa is sold. It is 8 to 10 cents a litre more than the export parity price that the local oil industry receives for its exported product. Local oil companies will be compensated for any losses incurred through having to take Mossgas's production.

Mossgas will also receive tariff protection for a period of ten years similar to that paid to Sasol (an average of 12.5 per cent since 1979).

The Auditor General's report, which was drawn up by Deloitte and Touche, found that, with sunk costs excluded, and based on import parity prices, Mossgas would be viable. It would, however, remain sensitive to changes in international fuel prices and to the exchange rate. The joint committee on public accounts that considered the report said that no further money should be invested in Mossgas unless the investment could be justified in terms of normal commercial considerations.

Mossgas's origins lie in the desire of the South African government, during the sanctions era, to source 40 per cent of its fuel needs locally. As such, it was a strategic decision, not justifiable on economic criteria. Its continued operation, however, is justified in terms of job creation and foreign exchange savings.

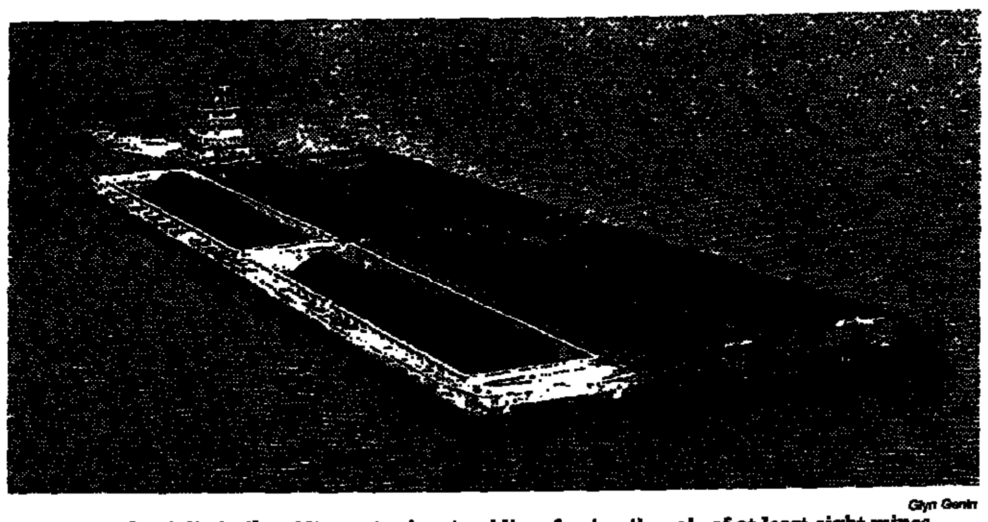
Recession forces US coal consolidation

A third of the national market is now controlled by 23 companies, writes Laurie Morse

A DECADE-long recession in the US coal industry has forced substantial consolidation over the past three years, as oil and steel companies have left the industry to focus on their core businesses.

While the economic and environmental liabilities make coal a chancy investment, foreign natural resource companies, particularly UK and continental European interests, have moved in in surprising strength to acquire US coal reserves.

In a study of the 81 coal company mergers and acquisitions in the US between 1990 and 1992, the consultants Resource Data International and Hicks and Associates found that ownership of 12 per cent of US coal production moved overseas during the period.



Glyn Genin

Surging productivity in the 1980s sent prices tumbling, forcing the sale of at least eight mines

This year, the world's biggest mining company, RTZ Corporation of the UK, boosted the foreign ownership figure to 17 per cent when it entered the US coal business through its purchase of the US mining company, Nerco. Nerco's assets included coal mines in the Powder River Basin with annual production of about 28.7m short tons (2,000lb each). RTZ quickly boosted its coal interests in the region by also acquiring Sun Oil Company's Cordero Mining Company for $120.5m. The Cordero property produced 13.3m tons of low sulphur coal last year.

The expansion by overseas companies comes as some analysts say the coal industry's recession is bottoming out, and prospects, at least for environmentally-correct low sulphur coal, are improving. A 20-year pattern of long-term coal contracts is also ending, a development that will change the economics of coal pricing.

The trend toward consolidation and increasingly international ownership seems likely to continue. International companies like RTZ tend to take a longer view of the business, assessing the risk factors of coal mining quite differently from domestic companies.

Coal is not a glamorous business, but it is a steady one. It generates more than half of the electric power produced in the US and of the 1bn tons of US coal mined annually, 75 per cent is consumed by electric utilities. The government suggests that US electric power consumption will to rise about 2 per cent a year over the next decade.

"The coal industry here is still very profitable, despite a long-term decline in coal prices," says Mr Ronald McMahan, President of Colorado-based RDI. "What we're seeing is a consolidation of properties in the hands of bigger, stronger players."

The consolidation includes not just the existing 2,800 coal mines in the US, but vast coal reserves that remain to be tapped. When Hanson bought 100 per cent of the Peabody Holding Company in two transactions valued at $1.23b in 1990, it became the owner of the largest coal mining company in the US. Peabody and related subsidiaries own 43 mines with 86.6m tons of annual production. Peabody's proven coal reserves are reckoned to be near 8.7bn tons.

In 1991 the German concern, Rheinbraun AG made an even bigger investment in US coal, purchasing 50 per cent of Consol Energy for $1.3bn. Consol, a joint venture between Rheinbraun and DuPont, the US chemical company, is the US's second largest coal company, with 55.2m tons of annual production from 26 North American mines.

Although most US coal is consumed domestically, 14 per cent of Consol's production was exported to the Far East and Europe, slightly above the US average of 11 per cent.

Domestic mining companies also see the benefits of consolidation. If authorities approve the merger of US mining groups Amax and Cyprus Minerals, the combined company will become the second largest coal producer in the US.

Coal mining in the US has suffered for a decade from the after-shocks of the 1970s coal boom, when energy companies rushed to pay top-dollar for coal mines, and then invested heavily to expand production and employment.

The glory days lasted through the 1970s energy crisis but faded in the early 1980s. As boom-year profits evaporated, however, competitive pressures forced remarkable increases in productivity. US coal production rose 52 per cent between 1979 and 1992, while the mining workforce was nearly halved.

At the same time, the production surge toppled prices. Mr Ralph Barbaro, partner in Virginia-based Energy Ventures Analysis, estimates that US coal prices on average are half of what they were 15 years ago. Shrinking margins and low returns on capital prompted at least eight bankruptcy-related coal mine sales since 1990.

New buyers are squeezing resources, including labour, to make their acquisitions more profitable. Both Peabody and Consol are currently locked in a struggle with the United Mine Workers union. The companies are seeking to gain more flexible working practices in a new national contract with the union, and job security issues are at stake as well. The strike, which began on May 10, is costing Peabody about $1m a day.

The companies that have snapped up the coal mine bargains have done so with an eye to acquiring reserves that are in compliance with the new US clean air standards. Recent purchases of US coal properties reflect the impact of the clean air legislation. Most have focused on the low sulphur coal regions of central Appalachia in the eastern US and the west's Powder River Basin.

Mr McMahon says the trend reflects regional concentrations that are often obscured by national statistics. "Twenty three companies [with assets above $10m] now control 66 per cent of the US coal market, compared with 40 per cent in 1981," he says. "However, regionally, one large company, like Consol in northern Appalachia and Kennecott [an RTZ subsidiary] in the Powder River Basin, may have 40 per cent of the market."

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,565-1,610 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.50 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.40-0.45 (0.45-0.50).

COBALT: MB free market, 99.8 per cent, $ per lb, in warehouse, 12.00-12.55 (12.00-12.50); 99.3 per cent, $ per lb, in warehouse, 11.05-11.55 (11.00-11.50).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 95-110 (100-115).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.40-2.45 (2.35-2.45).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.55-5.30.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 20-33 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.30-1.40 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 6.90.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+3,875	to 2,117,050
Copper	-2,800	to 521,700
Lead	+1,725	to 282,000
Nickel	+1,392	to 106,828
Zinc	+1,900	to 770,850
Tin	-105	to 21,250

WORLD COMMODITIES PRICES

MARKET REPORT

The London Commodity Exchange's robusta **COFFEE** contract, after experiencing a dull and generally weaker morning, surged ahead yesterday afternoon on what traders described as buying related to availability of coffee against September delivery. With tenders for delivery against near the September contract amounting to just under 2,000 lots (5 tonnes each) and an uncovered position of just under 5,000 lots, the posting of about 100 lots of untenderables had sparked what seemed to be over-exaggerated concern, they said. The November futures position touched $1,265 a tonne before closing at $1,248, up $25 on balance. **COCOA** prices also moved higher in the afternoon, with the December position closing £8 up at £831 a tonne. "I think the market is teeing itself to move higher this week but if it fails, it's ready to fall right back down," one trader said. At the London Metal Exchange **COPPER** market the main focus of attention was in nearby spreads, which saw heavy trading activity. The cash premium over three months metal touched $70 at one stage before ending at $58 a tonne, compared with $52 to $53 yesterday.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	$14.08-4.13u	-0.32
Brent Blend (dated)	$16.13-6.15	-0.385
Brent Blend (Oct)	$15.80-5.82	-0.415
W.T.I (1 pm est)	$17.21-7.24	
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$190-192	
Gas Oil	$161-162	-2
Heavy Fuel Oil	$62-64	-0.5
Naphtha	$153-155	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$354.25	-10.1
Silver (per troy oz)♣	434.00c	-20.0
Platinum (per troy oz)	$368.75	-8.25
Palladium (per troy oz)	$119.75	-2.75
Copper (US Producer)	91.50c	
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	11.89m	-0.07
Tin (New York)	214.0c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	126.50p	-2.33*
Sheep (live weight)†♠	80.98p	-2.01*
Pigs (live weight)†	71.04p	-1.35*
London daily sugar (raw)	$242.5	
London daily sugar (white)	$278.80	-0.9
Tate and Lyle export price	£269.0	
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£172.0	
Wheat (US Dark Northern)	£165.0u	+2
Rubber (Oct)♥	62.00p	
Rubber (Nov)♥	62.50p	
Rubber (KL RSS No 1 Jul)	215.5p	
Coconut oil (Philippines)§	$430.0v	-10.0
Palm Oil (Malaysian)§	$355.0	-2.5
Copra (Philippines)§	$290.0	
Soyabeans (US)	£195.0	
Cotton "A" Index	54.90c	
Wooltops (64s Super)	325p	-2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Sep/Oct u-Oct t-Oct/Dec y-Aug/Sep ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – LCE ($ per tonne)

White	Close	Previous	High/Low
Oct	267.00	265.80	267.00 265.00
Dec	263.00	261.30	263.40 261.00
Mar	266.00	264.60	266.00 263.50
May	267.50		267.50
Aug	272.60		272.60

White 1735 (108) Paris- White (FFr per tonne): Oct 1516.95 Dec 1505.94

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Oct	16.08	16.52	16.52 16.05
Nov	16.33	16.75	16.74 16.33
Dec	16.55	16.96	16.95 16.55
Jan	16.75	17.08	17.05 16.75
Feb	16.93	17.25	17.05 16.93
Mar	17.07	17.38	17.19 17.07
IPE Index	16.57	16.61	16.57

Turnover 39674 (12636)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Sep	157.75	160.50	161.00 157.75
Oct	159.75	162.00	162.50 159.50
Nov	162.00	164.00	164.00 161.50
Dec	164.00	166.00	165.75 163.75
Jan	165.75	168.00	167.50 165.75
Feb	165.75	167.75	167.00 165.75
Mar	163.75	166.25	163.75 163.75
Jun	160.00	162.50	160.00 160.00

Turnover 18319 (9611) lots of 100 tonnes

TEA
The Tea broker's Association reports. Landed strong and active demand. New season's Assams attracted good competition with better quality teas a very strong feature. East African teas were also well supported at fully firm rates. Bright liquoring kinds and good mediums showed a dearer tendency. Ceylons met improved competition with prices often appreciably dearer, particularly for brighter descriptions. Offshore good demand at firm to dearer rates. Quotations quality 200p/kg nom, good medium 125p/kg, medium 109p/kg, low medium 93p/kg. The highest price realised this week was 220p for two lines of Assam pf.

COCOA – LCE £/tonne

	Close	Previous	High/Low
Sep	796	784	788 782
Dec	831	823	831 817
Mar	856	845	857 840
May	868	857	868 853
Jul	876	866	873 864
Sep	897	877	888 875
Dec	903	894	902 890
Mar	917	906	916 904
May	929	919	928 915

Turnover: 8491 (6765) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 3 (N/A) 10 day average for Sep 6 (N/A)

COFFEE – LCE $/tonne

	Close	Previous	High/Low
Sep	1339	1299	1355 1283
Nov	1248	1223	1265 1204
Jan	1217	1199	1232 1188
Mar	1208	1195	1222 1186
May	1205	1193	1208 1183
Jul	1202		1188 1185

Turnover: 5428 (3513) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 6 Comp. daily N/A (88.91) 15 day average N/A (89.14)

POTATOES – LCE £/tonne

	Close	Previous	High/Low
Apr	79.9	79.7	80.5 79.0
May	92.5	93.0	93.0

Turnover 43 (32) lots of 20 tonnes.

SOYAMEAL – LCE £/tonne

	Close	Previous	High/Low
Oct	-	-	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – LCE $10/index point

	Close	Previous	High/Low
Sep	1430	1435	1430
Oct	1468	1470	1465
Nov	1475	1485	1475 1470
Jan	1477	1483	1480 1475
BFI	1409	1406	1409

Turnover 29 (39)

GRAINS – LCE £/tonne

Wheat	Close	Previous	High/Low
Sep	102.00		102.15 101.75
Nov	102.90	103.10	103.40 102.75
Jan	105.10	105.15	105.45 104.80
Mar	107.05	107.15	107.50 106.85
May	109.40	109.40	109.75 109.20
Barley	**Close**	**Previous**	**High/Low**
Sep	100.25		100.25
Nov	102.25		102.10 102.00
Jan	104.35	104.15	104.25
Mar	106.25	106.15	106.15

Turnover: Wheat 523 (292) Barley 72 (30).
Turnover lots of 100 Tonnes.

PIGS – LCE (Cash Settlement) p/kg

	Close	Previous	High/Low
Sep	-	-	

Turnover:0 (0)lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 37,154 lots	
Cash	1141.5-2.5	1144.5-45.5	1163.5/1163	1143.5-44		
3 months	1163-3.5	1165.5-66	1169/1160.5	1165-65.5	1160-60.5	245,539 lots
Copper, Grade A ($ per tonne)					Total daily turnover 118,421lots	
Cash	2011-2	2006-08	2010/2008	2007-09		
3 months	1947-8	1948-50	1952/1939	1948-50	1947-8	181,175 lots
Lead ($ per tonne)					Total daily turnover 3,384 lots	
Cash	385-6	383.5-84.5		385-85.5		
3 months	399-400	395-98.5	400/398	399-400	398-8	23,639 lots
Nickel ($ per tonne)					Total daily turnover 5,363 lots	
Cash	4475-80	4484-90	4530/4515	4461-62		
3 months	4525-30	4535-40	4540/4510	4513-15	4540-5	47,454 lots
Tin ($ per tonne)					Total daily turnover 1,523 lots	
Cash	4615-25	4638-43		4612-15		
3 months	4665-75	4685-90	4667/4660	4662-63	4665-70	10,871 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 12,484 lots	
Cash	871.5-72.5	872.5-73.5	971	871.5-72		
3 months	888.5-89.0	889-90	889/888	888.5-89	888-8.5	82,697 lots

LME Closing £/$ rate:
SPOT: 1.5425 3 months: 1.5323 6 months: 1.5235 9 months: 1.5162

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	354.00-354.50	
Opening	362.80-363.20	
Morning fix	362.95	237.688
Afternoon fix	354.80	231.170
Day's high	363.80-364.10	
Day's low	352.00-352.75	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.72	6 months	2.59
2 months	2.66	12 months	2.59
3 months	2.62		

Silver fix	p/troy oz	US cts equiv
Spot	294.85	450.25
3 months	299.10	453.55
6 months	303.00	457.05
12 months	311.25	465.10

GOLD COINS

	$ price	£ equivalent
Krugerrand	362.00-365.00	237.00-240.00
Maple leaf	363.90-366.25	-
New Sovereign	86.00-89.00	56.00-59.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1125	29	60	10	20
1150	15	45	21	30
1175	7	33	38	42
Copper (Grade A)	**Calls**		**Puts**	
1900	80	87	10	55
1950	46	62	25	80
2000	22	43	51	110
Coffee	Nov	Jan	Nov	Jan
1200	90	95	42	78
1250	63	74	65	107
1300	43	57	95	140
Cocoa	Dec	Mar	Dec	Mar
775	73	108	17	27
800	57	91	26	35
825	43	76	37	45
Brent Crude	Oct	Nov	Oct	Nov
1700	2	22	55	59
1750		12		
1800		5		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	350.1	364.5	0	0
Oct	350.8	365.3	364.0	350.1
Nov	351.6	366.2	0	0
Dec	352.5	367.1	366.0	352.0
Feb	354.1	368.7	367.1	353.8
Apr	355.7	370.3	368.0	356.4
Jun	357.3	372.0	364.5	358.5
Aug	358.9	373.6	370.0	358.6
Oct	360.5	375.3	369.0	369.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	360.1	372.1	370.0	359.0
Jan	360.9	372.8	370.0	359.5
Apr	361.7	373.6	370.5	363.5
Jul	362.5	374.4	370.0	367.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	426.1	452.1	443.0	424.0
Oct	427.3	453.3	0	0
Nov	429.7	455.7	0	0
Dec	430.0	456.3	454.0	427.0
Jan	430.4	456.8	0	0
Mar	434.2	460.7	458.5	432.0
May	437.1	463.8	461.0	435.0
Jul	439.7	466.7	463.0	437.0
Sep	442.5	469.8	450.0	446.0
Dec	447.1	474.7	471.0	445.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	85.50	86.45	86.60	85.40
Oct	85.60	86.55	86.65	85.55
Nov	85.70	86.60	0	0
Dec	85.85	86.65	86.85	85.50
Jan	85.85	86.65	0	0
Feb	85.90	86.70	0	0
Mar	85.90	86.80	86.80	85.70
Apr	85.95	86.80	0	0
May	86.00	86.90	86.40	85.90
Jun	86.00	86.90	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	17.15	17.73	17.76	17.10
Nov	17.53	18.05	18.02	17.47
Dec	17.82	18.30	18.17	17.80
Jan	18.02	18.47	18.33	18.01
Feb	18.19	18.62	18.44	18.28
Mar	18.34	18.75	18.63	18.35
Apr	18.47	18.85	18.71	18.60
May	18.58	18.95	18.78	18.67
Jun	18.67	19.03	19.00	18.80
Jul	18.76	19.11	18.90	18.97

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	51.25	52.88	52.50	51.10
Nov	52.25	53.77	53.30	52.15
Dec	53.25	54.61	54.15	53.15
Jan	53.95	55.21	54.80	53.95
Feb	54.20	55.31	54.90	54.20
Mar	53.85	54.81	54.15	53.85
Apr	53.00	53.51	53.25	53.00
May	52.25	52.71	52.25	52.25
Jun	52.00	52.26	52.00	51.90
Jul	52.00	52.51	52.25	52.00

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1033	987	1035	1000
Dec	1119	1086	1120	1087
Mar	1169	1135	1170	1115
May	1187	1163	1189	1140
Jul	1207	1183	1185	1165
Sep	1225	1201	1230	1190
Dec	1245	1221	1250	1210
Mar	1275	1251	1275	1275
May	1291	1274	1291	1291

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	75.35	73.35	76.00	71.65
Dec	78.25	76.25	78.70	74.15
Mar	80.50	78.45	80.75	76.50
May	81.90	79.70	82.10	77.80
Jul	83.15	81.15	82.90	79.75
Sep	84.35	82.40	0	0
Dec	86.00	86.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.20	9.11	9.30	9.05
Mar	9.64	9.51	9.66	9.48
May	9.80	9.65	9.82	9.67
Jul	9.91	9.76	9.91	9.75
Oct	9.93	9.79	9.93	9.77

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	56.08	55.40	56.55	55.20
Dec	57.45	58.76	57.95	56.58
Mar	58.92	58.40	59.45	58.20
May	59.85	59.10	59.75	58.90
Jul	60.13	59.62	60.60	59.45
Oct	60.45	60.04	0	0
Dec	60.50	60.08	60.50	60.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	117.60	121.60	121.00	117.00
Nov	120.35	125.35	125.00	119.85
Jan	121.85	126.50	125.95	121.50
Mar	122.75	127.60	126.60	122.60
May	123.85	127.90	0	0
Jul	124.65	128.50	124.90	124.90
Sep	124.65	128.50	0	0
Nov	124.85	128.50	0	0
Jan	124.65	128.50	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Sep 7	Sep 6	mnth ago	yr ago
1629.2	1633.5	1639.3	1508.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Sep 6	Sep 3	mnth ago	yr ago
Spot	N/A	122.14	126.13	N/A
Futures	N/A	126.45	132.18	N/A

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	638/4	661/0	661/4	638/0
Nov	640/4	663/2	664/0	639/0
Jan	645/6	668/2	669/4	645/0
Mar	652/0	673/6	674/4	651/0
May	655/2	675/6	677/0	655/0
Jul	657/6	678/6	679/0	657/4
Aug	657/4	676/0	665/0	657/4
Sep	634/0	648/0	640/4	634/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	23.10	23.79	23.85	23.10
Oct	23.16	23.86	23.94	23.15
Dec	23.34	24.05	24.14	23.32
Jan	23.43	24.14	24.12	23.42
Mar	23.53	24.23	24.27	23.53
May	23.55	24.25	23.95	23.55
Jul	23.55	24.19	23.95	23.55
Aug	23.45	24.00	23.75	23.45

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	202.9	207.9	208.5	202.8
Oct	201.1	206.4	206.8	201.0
Dec	201.1	206.5	207.1	201.0
Jan	201.7	206.8	207.4	201.6
Mar	203.1	207.8	208.3	202.8
May	204.0	207.7	208.5	203.8
Jul	205.0	208.5	208.5	204.5
Aug	204.5	207.0	205.5	204.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	226/0	229/4	229/6	225/4
Dec	233/0	236/6	237/6	232/4
Mar	241/6	245/0	246/0	241/0
May	247/0	250/0	250/4	246/4
Jul	250/0	253/0	253/2	249/6
Sep	247/2	248/2	248/0	247/0
Dec	243/6	243/6	244/0	242/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	300/4	301/6	305/0	300/4
Dec	309/2	310/2	313/6	309/0
Mar	313/6	314/2	318/2	313/4
May	308/4	308/2	311/4	308/0
Jul	301/6	299/0	303/0	299/4
Sep	305/6	303/0	0	0
Dec	313/0	314/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	75.850	76.250	76.650	75.725
Dec	75.875	75.950	76.200	75.775
Feb	76.125	76.275	76.500	76.100
Apr	76.900	76.950	77.100	76.875
Jun	73.500	73.600	73.800	73.500
Aug	72.350	72.350	72.700	72.350
Oct	72.925	72.800	73.250	72.925

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	47.875	48.225	48.350	47.700
Dec	48.250	48.000	48.500	47.700
Feb	46.900	46.875	47.200	46.300
Apr	45.050	44.725	45.150	44.450
Jun	49.375	49.450	49.400	49.200
Jul	48.400	48.500	48.500	48.400
Aug	47.150	47.075	47.250	47.100
Oct	44.250	0	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	51.125	52.100	52.300	50.750
Mar	50.625	51.500	51.600	50.450
May	51.775	52.850	52.800	51.550
Jul	51.600	52.450	52.800	51.550
Aug	51.500	52.500	0	51.500

LONDON STOCK EXCHANGE

Further setback as selling increases

By Terry Byland,
UK Stock Market Editor

THE ABSENCE of US buyers, in spite of Wall Street's return from the Labor Day holiday, together with a sell-off in stock index futures, depressed the London stock market again yesterday. The September contract on the Footsie index fell to an unnerving five-point discount at midsession without the underlying blue chip equities attracting the arbitrage support associated with such operations.

After moving narrowly at first, the stock market turned down smartly in the afternoon, the FT-SE 100 closing 20.4 points off at 3,038.6. The index is now around 2.5 per cent down from its recent trading peak, reached on August 27.

In addition to caution over near term prospects for UK stocks, the London market appeared to be somewhat less optimistic ahead of tomorrow's meeting of the Bundesbank policy council. If the German central bank does not cut rates, this will undermine hopes of an early reduction in UK base rates and disappoint UK investors.

The launch by Mercury, the telecommunications group majority-owned by Cable & Wireless, of a new mobile phone service on favourable terms to Londoners brought strong reaction among its rivals, which scented a vicious price war. BT gave ground as did Vodafone. Cable & Wireless drew no benefit from Mercury's plans, however, falling sharply on fears of impending political developments in Hong Kong, a factor which also unsettled HSBC.

Sentiment was also again unsettled by company trading statements which, while not bringing new disasters yesterday, continued to provided little evidence for the benefits of economic recovery at corporate level. In early trading, the stock market was unimpressed by profits news from Fisons, the pharmaceutcal and scientific equipment group, and also from Williams Holdings and Hillsdown Holdings.

At BZW, Mr Richard Kersley commented that last week's corporate news had brought surprises, "the bulk of them unpleasant," adding that with stocks trading on aggressive price/earnings multiples, there was little cushion to absorb bad news.

There was little support for the international blue chips. Glaxo, the drugs group which reports final results tomorrow, remained under the bearish influence of a leading agency stockbroker, and the rest of the pharmaceuticals sector continued to lack the buyers who were driving prices ahead at the end of last month. Oil shares, too, suffered as a weak crude oil price kept investors out of the sector.

Although selling pressure was increased across the range of equities, traders believed that the outlook for equities at these levels remains sound. As expected, retail, or customer, business in UK equities fell away sharply on Monday, when New York was closed, returning a total of only £811.4m; this is the first time the daily total has dropped below £1bn in genuine trading for nearly a year.

Seaq business increased to 626.2m shares yesterday from 421.1m in the previous session, with non-Footsie trades making up 60 per cent of the total. Yesterday's Seaq total was at the low end of recent daily figures. The UK institutions appeared to be keeping out of the market, and overseas investors making only very selective forays into equities.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	2,900	65¼	-1
Abbey National†	3,200	394	+5
Albert Fisher	1,400	71	+1
Allied-Lyons†	1,100	607	-6
Anglian Water†	845	521	-3
Argos	832	347	-2
Argyll Group†	1,200	318	-6
Arjo Wiggins†	3,600	203	-1
Assoc. Brit. Foods†	710	495	-4
Ass. Brit. Ports	501	449	-6
BAA†	710	829	-8
BAT Inds.†	8,200	448	-8
BET	2,808	125	+½
BICC	348	421	-2
BOC†	1,500	688	-4
BP†	6,400	304	-3
BPB Inds.	338	239	-3
BT†	9,100	420½	-6
BT (P/Paid)	5,300	179	-3
BTR†	4,000	401	-1
Bank of Scotland†	1,100	169	-3
Barclays†	7,000	502	+5
Bass†	1,200	497	-8
Blue Circle†	3,100	271	-3
Booker	1,000	441	
Boots†	1,800	485	-5
Bowater†	1,400	460	-8
Brit. Aerospace†	1,800	434	
British Airways†	3,200	361	+1
British Gas†	4,600	328	-1½
British Land	413	385	
British Steel†	5,900	112½	+½
Bunzl	1,200	142	-2
Burmah Castrol†	218	765	-5
Burton	2,700	77	+2
Cable & Wire.†	8,200	850	-19
Cadbury Schweppes†	2,000	486	-8
Calor Group	168	276	-1
Carlton Comms.†	801	784	-2
Coats Viyella†	3,200	255	
Comm. Union†	5,500	606	+13
Cookson	2,200	215	-2
Courtaulds†	2,100	534	-8
Dalgety	595	513	-4
De La Rue†	490	680	-5
Dixons	715	223	
Eastern Elect.	592	595	+8
East Midland Elect.	75	519	+3
Eng China Clays	1,000	452	-5
Enterprise Oil†	1,800	487	-7
Eurotunnel Units	43	484	-5
FKI	830	140	+1
Fisons	8,400	170½	-6½
Foreign & Col. I.T.	1,000	244½	-½
Forte†	4,700	243	-5
Gen. Accident†	722	668	-4
General Elect.†	5,200	347	+½
Glaxo†	5,100	613	-7
Glynwed Int.	129	310	
Granada†	982	442	+2
Grand Met.†	2,300	438	-6
GUS A†	431	2085	+22
GRE†	507	216	+2
GKN	691	493	+5
Guinness†	1,800	481	-3
HSBC (75p shs)†	3,000	695	-10
Hammerson 'A'	322	368	
Hanson†	16,000	248	-½
Harrisons Crosfield	484	185	+1
Hillsdown	11,000	172	+7
IMI	92	287	-7
ICI†	3,800	713	-1
Inchcape†	1,400	580	-3
Johnson Matthey	722	471	-1
Kingfisher†	807	650	-5
Kwik Save	54	723	+1
Ladbroke†	1,700	205	-5
Land Securities†	387	668	-5
Laporte	1,000	621	+1
Legal & General†	1,400	484	+8
Lloyds Abbey	2,700	424	-6
Lloyds Bank†	2,800	639	+5
LASMO	7,200	141	-2
London Elect.	35	538	+1
Lonrho	2,200	124½	-2½
Lucas	1,800	159	-1
MB Caradon†	1,400	329	-1
MEPC	988	407	+1
MFI	1,500	148	
Manweb	65	583	+4
Marks & Spencer†	2,800	383	-6½
Midlands Elect.	304	556	+6
Morrison (Wm.)	3,300	137	-1
NFC†	2,400	208	+½
NatWest Bank†	6,500	481	
National Power†	1,700	384	-½
[illegible]	[illegible]	[illegible]	[illegible]
Rolls Royce	2,800	149	-4
Rothmans†	795	701	+6
Ryl Bk Scotland†	4,200	294	+2
Royal Insurance†	747	337	-2
Saatchi	18	183	
Sainsbury†	3,100	489	-6
Scottish & New.†	357	470	-4
Scot. Hydro-Elect.†	340	364	-2
Scottish Power†	1,400	347	-8
Sears†	4,800	113½	+½
Sedgwick	1,200	159	-7
Seeboard	441	594	+3
Severn Trent Water†	475	537	
Shell Transport†	1,900	683	-2
Siebe†	840	541	
Slough Ests.	1,100	228	-1
Smith (W.H.) A	120	454	-2
Smith & Nephew†	440	152½	-½
SmithKline Beecham†	3,900	452	-6½
SmithK Beecham Uts.†	2,100	397	-5
Smiths Inds.	152	383	
Southern Elect.	540	542	
South Wales Elect.	157	599	+2
South West Water	62	554	-6
[illegible]	[illegible]	549	+8
[illegible]	[illegible]	558	-6
[illegible]	[illegible]	948	
[illegible]	[illegible]	227	+2
[illegible]	[illegible]	371	+6
[illegible]	[illegible]	208	+3
[illegible]	[illegible]	359	+1
[illegible]	[illegible]	190	
[illegible]	[illegible]	180	+1
[illegible]	[illegible]	370	-2
[illegible]	[illegible]	122	-1
[illegible]	[illegible]	719	-3
[illegible]	[illegible]	528	-1
[illegible]	[illegible]	968	-15
[illegible]	[illegible]	231	
[illegible]	[illegible]	107	
[illegible]	[illegible]	405	-3
[illegible]	[illegible]	[illegible]	-7
United Biscuits†	2,500	364	-7
Utd. Newspapers	563	574	-9
Vodafone†	5,800	490½	-19½
Warburg (SG)†	281	804	-8
Wellcome†	4,500	733	-11
Welsh Water	420	816	-13
Wessex Water	197	631	-7
Whitbread 'A'†	698	546	-5
Williams Hldgs.†	8,600	329	-7
Willis Corroon	723	226	-1
Wimpey	1,900	159	+1
Wolseley†	500	634	-1
Yorkshire Elect.	446	582	+3
Yorkshire Water	628	342	
Zeneca†	2,000	750	+6

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

Account Dealing Dates

*First Dealings:		
Aug 16	Sep 6	Sep 20
Option Declarations:		
Sep 2	Sep 16	Sep 30
Last Dealings:		
Sep 3	Sep 17	Oct 1
Account Day:		
Sep 13	Sep 27	Oct 11

*New time dealings may take place from two business days earlier.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3038.6 -20.4	3470.2 -5.5	1511.38 -7.83

	Sep 7	Day's change %	Sep 6	Sep 3	Sep 2	Year ago	Dividend yield %	Earnings yield %	P/E Ratio	Xd adj ytd	Total Return
FT-SE 100	3038.6	-0.7	3059.0	3057.3	3072.6	2337.7	3.79	5.67	21.86	68.18	1099.63
FT-SE Mid 250	3470.2	-0.2	3475.7	3478.9	3489.8	2197.5	3.49	5.50	22.34	69.20	1246.16
FT-SE Mid 250 ex Inv Trusts	3487.3	-0.2	3493.3	3495.4	3505.9	2205.4	3.58	5.87	21.12	70.48	1247.59
FT-SE-A 350	1523.8	-0.6	1532.3	1531.9	1539.0	1125.0	3.72	5.63	21.97	33.32	1130.13
FT-SE SmallCap	1786.17	—	1785.77	1780.31	1779.77	-	3.12	3.84	36.18	30.22	1341.75
FT-SE SmallCap ex Inv Trusts	1787.58	+0.1	1786.65	1779.62	1777.29	-	3.29	4.21	34.04	31.43	1343.94
FT-A ALL-SHARE	1511.38	-0.5	1519.21	1518.59	1525.09	1106.46	3.68	5.52	22.52	32.58	1140.89
1 CAPITAL GOODS(214)	1085.52	-0.3	1088.89	1085.48	1088.67	679.76	3.85	3.83	34.47	22.83	1276.80
2 Building Materials(28)	1158.94	-0.7	1167.31	1164.35	1165.00	656.17	3.94	3.23	43.87	22.93	1341.45
3 Contracting, Construction(29)	1038.12	-0.5	1043.81	1036.88	1038.98	505.17	3.17	1.26	80.00†	14.62	1434.34
4 Electricals(15)	3158.22	-0.3	3167.34	3126.35	3123.39	2048.82	4.28	3.40	36.72	75.17	1277.18
5 Electronics(38)	2924.79	—	2923.38	2810.74	2837.23	1880.13	2.96	5.70	21.47	63.37	1280.83
6 Engineering-Aerospace(7)	446.30	+1.1	441.42	439.55	445.25	289.88	3.24	‡	‡	6.61	1541.02
7 Engineering-General(48)	628.64	-0.1	629.33	626.05	621.32	417.79	3.44	5.60	21.62	13.05	1260.74
8 Metals & Metal Forming(10)	456.66	+0.3	455.23	458.52	458.50	255.51	2.40	‡	‡	6.63	1443.20
9 Motors(20)	461.21	+0.3	459.70	460.91	460.84	285.35	4.74	4.10	34.00	12.66	1272.63
10 Other Industrials(19)	2264.76	-0.8	2283.55	2276.38	2273.81	1512.17	3.99	5.08	23.55	52.70	1158.87
21 CONSUMER GROUP(233)	1732.15	-0.7	1744.86	1743.40	1752.98	1490.92	3.33	6.47	18.73	31.41	1007.15
22 Brewers and Distillers(29)	1976.41	-0.9	1995.06	1983.50	1997.03	1878.56	3.73	7.82	15.45	42.32	987.98
25 Food Manufacturing(22)	1370.05	-0.6	1378.94	1380.14	1390.81	1083.89	3.71	7.13	16.73	28.07	1057.18
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Telecoms sector active

TELECOMS sector shares reacted badly to the launch of Mercury's new "One-2-One" cellular system as investors became fearful of a price war in the lucrative mobile telecoms business.

However, telecoms analysts were more sanguine, describing the share markdowns as no more than a mere knee-jerk reaction and an excuse by some investors to take profits in a sector which has recently had a successful run.

Mercury, which is a subsidiary of Cable and Wireless, said its new mobile system would offer domestic users free air-time in selected off peak hours in the M25 London area. BT was considered to be potentially the main loser among the telecoms group as current standard customers considered switching to cellular on the back of the Mercury offer.

Mr Chris McFadden at Smith New Court said: "Today's move is fundamentally positive because it opens up the mobile telecoms market to the mass public. The cake will now get bigger."

However, specialists also pointed out that the response of the other cellular phone groups and of standard telephone operators could deter investors from the sector in the short term, and that shares were most likely to be in for a dull time. C&W shares tumbled 19 to 850p, BT ordinary 6 to 420p, Vodafone 9½ to 500½p and Securicor 29 to 710p.

Fisons easier

Disappointing figures from Fisons, the pharmaceuticals and scientific equipment group, prompted a general downgrading of forecasts and pushed the shares 6½ lower to 170½p.

The company announced a first-half profit of £42.3m, at the lower end of the range of forecasts. It also warned that profits from its instrument arm were likely to "fall significantly short of last year's".

Lehman Brothers came down to £105m for this year from £130m previously. Hoare Govett cut its full-year estimate by £14.5m to £109m and the figure for next year by £33.5m to £127m, but argued that the yield of 6.4 per cent was attractive.

Kleinwort trade

Merchant bank Kleinwort Benson was one of the most heavily traded stocks in the London market yesterday as Banque Nationale de Paris (BNP) placed its entire stake and finally put an end to the takeover speculation that had surrounded the two banks.

The French state-owned bank, which is at the top of the country's ambitious privatisation programme, sold its stake, which represented 4.68 per cent of the Kleinwort equity or 6.15m shares, via Cazenove and Smith New Court.

The two securities houses placed the shares with investment institutions at 488p apiece, a 10p discount to the underlying share price.

In a statement to the London Stock Exchange, the French bank said yesterday that it had an "excellent working relationship with the Kleinwort Benson group, which it envisages will continue".

BNP bought the stake in March 1991 at 340p a share and there were indications last year that it harboured ambitions to take over the merchant bank. However, Mr Philip Gibbs, merchant bank analyst with BZW, said: "I think relations did cool between the two and what might have become an agreement ended up as merely an investment."

The sale follows the decision only a fortnight ago by American International Group (AIG), a leading US insurance group, to sell its 6.6 per cent holding acquired in 1988. Yesterday, Kleinwort Benson eased a penny to 497p in the market on turnover of 15m shares.

Rank deadline

Shares in Rank Organisation proceeded to gather pace in advance of the closure of the BZW strike price auction for shares – worth £25m – which the broker has agreed to acquire under its cash offer in respect of Rank's enhanced share alternative. Rank announced on Monday that 94 per cent of shareholders had accepted an enhanced share alternative to the 1993 interim dividend of 31p, saving £90m in cash and £26m in advance taxes.

But holders of 18 per cent of those not accepting the share alternative had subsequently accepted the cash option offered by BZW.

Analysts said other market-makers had marked the Rank share price higher in the knowledge that BZW was buying the stock, but that the price was likely to come off as the broker sold the stock into the market after today's deadline. Rank closed 15 up at 789p.

Barclays bought

A healthy performance in Barclays shares on high turnover of 7m was attributed to Lehman Brothers which, dealers said, was advising a switch from National Westminster.

Lehman would not confirm that its was making a direct link between the two high street banks but analyst Mr Robert Law said he was a buyer of Barclays as the bank with the "lowest price to cash flow multiple in the sector" and a holder of NatWest on the basis that its share price already reflected its performance. Barclays gained 5 at 502p while NatWest was held back at 481p.

Composite insurer Commercial Union performed strongly against a faltering market as one securities house published an enthusiastic appraisal of the group.

Mr Andrew Pitt, insurance analyst with Robert Fleming reinstated his buy recommendation on the stock. He said the company had underperformed the market by 5 per cent over 12 months while the rest of the sector had outperformed and it was now on a prospective yield of 5.3 per cent.

CU shares were 19 higher at one stage and closed 13 up at 606p with 5.5m traded.

Building group Newman Tonks disappointed the market with a dividend cut inspite of reporting an improvement in half time figures. The shares closed 6 lower at 154p, having recovered from a worse fall earlier in the session.

Builders merchant Sharp and Fisher were wanted on expectations of favourable interim results on Monday. The shares climbed 13 to 123p.

Shares in Westland Group were in demand following market talk and press reports suggesting the company may be a bid target. The shares ended the session 6 better at 250p, with GKN, which has a stake of around 20 per cent in Westland still suggested as the most likely suitor. GKN hardened 5 to 493p.

The 3 per cent decline in interim profits at engineering group IMI, disappointed the market leaving the shares 7 lighter at 287p as analysts downgraded full year expectations. Brokers also trimmed year end forecasts for Williams Holdings which reported a marginal increase in interim profits. The shares fell 7 to 326p, with volume climbing to 6.5m.

International mining group RTZ lost 12 in nervous trading ahead of tomorrow's interim figures.

Rothmans 'B' rose 6 to 701p 8as the extraordinary general meeting approved the split of the tobacco and luxury goods arms.

Zeneca added 6 at 760p as investors bought for the yield attractions.

Bumper profits at Telemetrix lifted the shares 7 to 183p.

Results from Hillsdown Holdings were enlivened by the attractions of the yield on the shares, which put on 7 to 172p.

After Thorn EMI's profits warning – contained in a circular to shareholders last Friday – the shares lost a further 15 to 968p as more brokers downgraded profit forecasts. Most were cutting around £20m from current year forecasts.

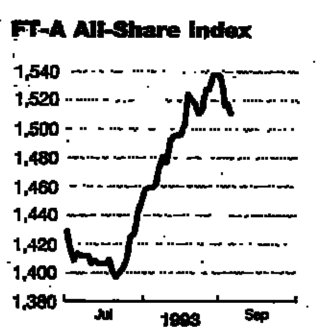
Croda International lifted 19 to 330p on a near 30 per cent boost in first-half figures to £18.5m. Hoare Govett changed recommendation from "undervalued" to "buy" and raised its full-year forecast by £3m to 40m.

The financial restructuring at UK Land, which involved a 1-for-22 offer, sent the shares zooming 28¾ to 29½p.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Christopher Price.

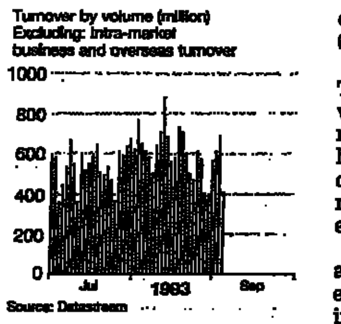
■ Other statistics, Page 21

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business and overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (196).
BRITISH FUNDS (10) OTHER FIXED INTEREST (6) BREWERS (2) Bulmer (HP), Burtonwood, BLDG MATLS (9) CRH, Erith, Gibbs Dandy, Grafton, Manders, Roskel, Sharpe & Fisher, Tarmac, Titon, BUSINESS SERVS (2) Page (M), Serco, CHEMS (1) Croda, CONGLOMERATES (1) AGA, CONTG & CONSTRCN (9) Ashtead, Bellway, Cussins, Hewden-Stuart, How, Maunders (J), Prowting, Rubicon, Sheriff, ELECTRONICS (3) Graseby, Pacer Systems, Telemetrix, ENG AERO (1) Westland, ENG GEN (8) Hall, Hampson 6¾pc Pf., Hill & Smith, Prosser, Renold, Senior, FOOD MANUF (2) Kalszi, Matthews, HEALTH & HSEHOLD (2) Isotron, Utd. Drug, HOTELS & LEIS (2) Compass, Sleepy Kids, INSCE BROKERS (3) Archer (A.J), Heath (CE), Oriel, INV TRUSTS (13) Aberforth Split Level, Abtrust Prfd. Zero Pf., Exmoor Dual Zero Pf., Fmg. Geared Inc. & Assets 6.3-13.3pc Prf., French Prop., Fulcrum Zero Pf., Genesis Malaysia Maju, Japan OTC Wts., Jos Zero Pf., New Frontiers 8¾pc Ln '10, Oriental Smitr. Co's, Second Market, Thompson Clive, MEDIA (10) Abbott Mead Vickers, Adscene, Black (AC), Grampian TVA, Harrington Kilbride, Holmes Marchant, Quarto, Radio Clyde, WPP, Yorks. Tyne-Tees, MERCHANT BANKS (1) Barings 9¾pc Pf., MTL & MTL FORMING (3) Cooper (Fr), Metsec, Richards, MISC (8) Airsprung Furniture, Dudley Jenkins, Excalibur, Headlam, Norbain, Office & Elect., Osborne & Little, Rhino, MOTORS (4) Cawsdale, Dagenham, European, Sanderson Murray E., OIL & GAS (1) Monument, OTHER FINCL (2) Aberdeen Tst., Mercury Asset Mngmt., OTHER INDLS (1) Amber Indl., PACKG, PAPER & PRINTG (8) AG, Boxmore, Capital Inds., Filofax, Intl. Comm. & Data, Serif, Tinsley Robor, Waco, PROP (14) Asda, British Land, Chesterfield, City Site Ests., Daejan, Five Oaks, Frogmore, Highcroft, Peel, Scottish Metrip., St Modwen, Stanhope, Tops Ests., Trencherwood, STORES (2) Cantors, French Cnctn., TELE NETWORKS (1) Cable & Wireless, TEXTS (6) Albion, Coats Viyella, Dewhirst, French (T), Lister, Usher (F), TRANSPORT (2) Ocean, Vard, WATER (1) South Staffs., MINES (1) Malaysia Mining.
NEW LOWS (11).
BRITISH FUNDS (6) Tr 8½pc '94, Tr 10pc '94, Ex 12½pc '94, Ex 13½pc '94, Tr 14½pc '94, BREWERS (1) Young N/V, BLDG MATLS (1) Culligotti, HEALTH & HSEHOLD (1) Kynoch, MEDIA (1) Blenheim, OTHER INDLS (1) AAF, PACKG, PAPER & PRINTG (1) Sappl.

FINANCIAL TIMES EQUITY INDICES

	Sep 7	Sep 6	Sep 3	Sep 2	Sep 1	Year ago	*High	*Low
Ordinary share	2379.7	2396.8	2390.7	2401.4	2403.1	1710.6	2414.2	2124.7
Ord. div. yield	3.88	3.85	3.86	3.84	3.84	5.21	4.52	3.82
Earning yld % full	4.58	4.55	4.56	4.53	4.53	7.57	6.38	4.51
P/E ratio net	27.88	28.07	28.02	28.17	28.18	16.89	28.30	19.40
P/E ratio nil	25.75	25.92	25.88	26.01	26.04	15.53	26.14	18.14
Gold Mines	170.0	177.2	178.3	188.8	193.7	88.6	249.2	60.0

*for 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2398.5	2397.7	2392.1	2391.3	2388.0	2385.3	2385.1	2385.2	2379.8	2399.7	2378.3

Volume	Sep 7	Sep 6	Sep 3	Sep 2	Sep 1	Year ago
SEAQ Bargains	26,855	28,265	38,503	36,139	34,892	15,282
Equity Turnover(£m)†	-	811.4	1489.5	1727.7	1450.9	628.2
Equity Bargains†	-	32,375	43,982	40,348	40,807	15,782
Shares traded (mil)†	-	402.0	694.4	613.7	564.7	307.5

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Funding 6pc 1993‡‡		100xd	—	100¼	99¼	6.00	[illegible]
Treas 13¼pc 1993‡‡		101	-⅛	106⅛	101½	13.53	[illegible]
8¼pc 1994		101⅛	-⅛	102⅜	101⅛	8.41	[illegible]
14½pc 1994‡‡		104¼	-⅛	109¼	104¼	13.91	[illegible]
Exch 13½pc 1994		104⅞	-⅛	109⅛	104⅞	12.87	[illegible]
Treas 10pc Ln 1994‡‡		103⅞	-⅛	106⅝	103⅞	9.69	[illegible]
Exch 12½pc 1994		106	-⅛	110⅛	106	11.74	[illegible]
Treas 9pc 1994‡‡		103	-⅛	106	103	8.66	[illegible]
12pc 1995		108	—	111	108	11.06	[illegible]
Exch 3pc Gas 90-95		96	-⅛	97	94	3.10	[illegible]
10¼pc 1995		108	—	109⅝	107⅛	9.49	[illegible]
Treas 12¾pc 1995‡‡		114⅛	-⅛	116⅝	113⅝	11.17	[illegible]
14pc 1996		117	-⅛	120⅝	117⅛	11.89	[illegible]
15¼pc 1996‡‡		122	-⅛	125⅝	121	12.46	[illegible]
Exch 13¼pc 1996‡‡		117⅛	-⅛	120⅛	116½	11.25	[illegible]
Conversion 10pc 1996		111⅛	+⅛	111½	108⅝	9.00	[illegible]
Treas 13¼pc 1997‡‡		120	+⅛	122⅛	118	10.98	[illegible]
Exch 10½pc 1997		113xd	+⅛	113⅝	110⅛	9.29	[illegible]
Treas 8¾pc 1997‡‡		108⅛	+⅛	108	105⅛	8.65	[illegible]
Exch 15pc 1997		130⅛	+⅛	132	127	11.51	[illegible]
9¾pc 1998		112⅜	+⅛	112	108⅛	8.66	[illegible]
Treas 7¼pc 1998‡‡		103	+⅛	103⅞	99	6.99	[illegible]
[illegible]							
Treas 10½pc 1999		118⅛	+⅛	118⅛	112	8.86	6.60
Conversion 10¼pc 1999		118⅛	+⅛	118	112⅛	8.68	6.62
9pc 2000‡‡		112	+⅛	113	106	7.98	6.55
Treas 13pc 2000		132¼	+⅛	132	125½	9.79	6.86
10pc 2001		118⅛	+⅛	118¼	109	8.47	6.83
7pc '01(£57¼ Pd)‡‡		61½	+⅛	61½	57	8.90	6.72
9¾pc 2002		118	+⅛	118	108⅛	8.22	6.90
8pc 2003‡‡		108	+⅛	108	97⅛	7.38	6.77

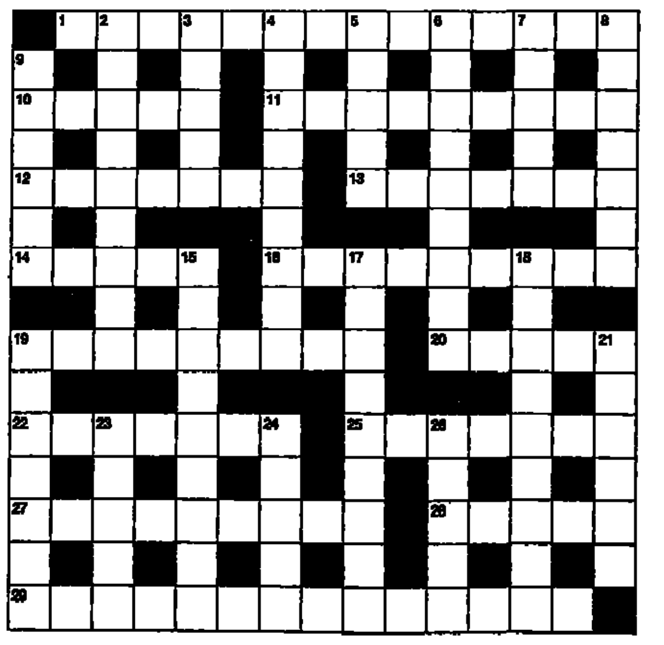
Undated	Notes	Price £	+ or -	1993 high
Consols 4pc		53⅛	+⅛	53
War Loan 3½pc‡‡		47⅝	+⅛	47
Conv 3½pc '61 Aft.		66⅛xd	+⅛	67⅝
Treas 3pc '66 Aft.		39⅝xd	—	40⅝
Consols 2½pc		34xd	+1⅛	35¼
Treas. 2½pc		33xd	+⅛	34¼

CROSSWORD

No.8,248 Set by DOGBERRY

ACROSS
1 Fancy phrase from Algonquin Creed (14)
10 Sulk about eating second course (5)
11 Empty instrument lacking flare (9)
12, 29 Since since since (4,3,4,7,3)
13 Portion of text remembered when going over the top (7)
14 Refuse to put tree on half-tree (5)
16 Explain, and repent it right away (9)
19 New 17 relaxes forms without much content (9)
20 Not demanding clarification (5)
22 One decapitated ruler to have an effect (7)
25 Scot receives the Spanish prayer .... (7)
27 .... also the German exclamation in painful condition (9)
28 Square in Ireland turned to salt (5)
29 See 12

DOWN
2 Is to change colour during sleep standing up (9)
3 City with speed and spirit (5)
4 Feature article on home entertainment in eastern region (4-5)
5 Talk of Muse changing ends (5)
6 Confused northern aunt within range of mutant (9)
7 One in the middle of the church green (5)
8 Remote Greek rising in which workers take part (7)
9 Stern governor puts boy on drug (6)
15 Flogger and Thunderer wanting leader to repair joint (9)
17 Will part of flower interrupt middle of trite talk? (9)
18 Animal keeping diary – one could turn it all into an opera (9)
19 Message about steep hill without top or bottom (7)
21 Decoration for volunteers having reduced rising (6)
23 Spike found to smell about right (5)
24 Dry cold getting into southern writer (5)
26 Old king maintains individual's a hopeless case (5)



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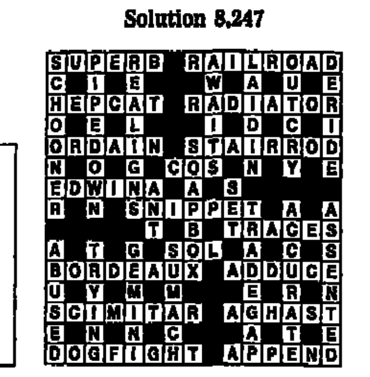

JOTTER PAD

EQUITY FUTURES AND OPTIONS TRADING

FEARS THAT the Bundesbank may not, after all, reduce German interest rates this week led to strong selling in Footsie futures in London yesterday, sending the underlying cash market lower, writes Joel Kibazo.

The high of the day for the September contract on the FT-SE 100, recorded at 3,070, came within minutes. Thereafter, the future came under selling pressure as the doubts over a reduction in German rates took hold. That sentiment soon spread from derivatives to the equity market, bringing a sell-off there also.

September fell to a discount to cash of 5 points for the first time just after mid-day, a move that was to be repeated several times over the next few hours, although it traded in line with cash for most of the session.

The day's low of 3,035 was recorded in the last half-an hour of business but nerves steadied before the close and September closed at 3,042, a 4 point premium to the cash market. Volume in the near month contract was a healthy 11,084 lots while that in the December contract which closed at 3,064 was 3,040 lots.

Turnover in traded options improved to 30,728 contracts against Monday's poor level of 20,044 contracts. However volume in the FT-SE 100 option was down on Monday's total, reaching 7,866 by the close. A big buyer of the December 40 calls in Amstrad sent volume to 6,640 lots.

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs	17¹⁄₁₆xd	—	20¼	15⅝	14,593	2.6
Allegheny & W. ♥	600p	+5	722p	398p	343.8	3.3
Amdahl	318p	—	581p	302½p	357.1	1.1
Amer Cyanamid	35½	—	38⅝	31¼	3,189	3.3
Amer Express	21[illegible]xd	—	25[illegible]	14⅞	10,467	3.1
Amer T & T	42¼xd	—	43¼	33¼	57,699	2.1
Ameritech	58⅝	—	58½	46	24,782	4.4
Anheuser-Busch	30[illegible]	—	41¼	30[illegible]	8,561	2.9
BankAmerica	30¼xd	—	38[illegible]	27⅛	10,754	3.1
Bankers NY	53[illegible]xd	—	54¼	42⅝	4,279	3.9
Bell Atlantic	41½	—	42[illegible]	32¼	18,828	4.3
BellSouth	39¼	—	39⅝	32⅞	19,327	4.8
Bethlehem Steel ♥	8¼xd	—	13¾	8¼	782.0	-
Bowater	1313pxd	—	1682p	1287p	475.6	3.1
CPC	28¼xd	—	34⅝	28	4,430	3.0
California Engy	1108p	—	1478p	1068p	212.3	-
Chase Manhattan	22⅝xd	—	24½	17⅞	3,531	3.6
Chrysler	27⅜xd	—	32⅛	21¼	8,016	1.5
Citicorp	21½xd	—	22[illegible]	13[illegible]	7,899	-
Colgate-Palm	33½xd	—	45⅝	32	6,348	2.9
Cont'l Bank	1615p	—	1677p	1278p	1,632	2.5
Dana	35½xd	—	37⅞	29[illegible]	1,630	3.0
Data General	585p	—	951p	527p	184.2	-
Dacura Inds. ♥	119p	—	148p	104p	-	-
Don & Brad	48⅞	—	42¼	37⅛	7,299	4.0
Eaton	31⅞	—	33⅛	35[illegible]	2,182	2.6
Echlin	18¼xd	—	28½	15[illegible]	1,071	2.6
FPL	25¼xd	—	27⅞	33¼	4,678	6.4
Ford Motor	32⅞xd	—	38½	28[illegible]	16,173	2.0
Gen Elect	63⅛xd	—	67[illegible]	53⅞	54,124	2.7
General Host ♥	478p	—	723p	458p	-	5.0
Gillette	35¼xd	—	42⅝	31[illegible]	7,709	1.6
Hasbro	20⅞	—	20⅞	20⅜	1,819	0.8
Honeywell	22⅞xd	—	26½	20[illegible]	3,126	2.6
Houston Inds	30¼	—	33¼	28¼	3,917	6.6

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

MINES - Cont.

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

PACKAGING, PAPER & PRINTING

STORES

TRANSPORT (cont.)

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's	P/E
Norish		180	—	183½	106½	13.5	7.8	8.2
Ocean Grp	N□	334	+11	336	244	814.4	5.4	27.8
Ocean Wilsons		73	—	73	40	29.0	6.8	13.2
P & O Dfd	N□	668	+2	676	504	3,784	5.7	38.2
5½pc Pf		157	—	157	127	104.6	4.4	–
6¾p Cv Pf		138	–½	138	100	72.2	6.5	–
Powell Duffryn	N□	543	–1	563	448	367.3	5.2	21.0
Sea Containers $		1289	—	2037	1157	128.3	3.6	–
Seacon		171xd	+1	171	117	18.6	3.7	10.6
Seafield		17	+½	21½	7½	11.3	–	–
Stagecoach	R□	144	—	148	112	172.8	3.3	ϕ
TNT A$		57½	–3	68½	31½	325.0	–	–
Tibbett & Britten		740	—	773	624	321.9	2.0	28.4
Tiphook	N□	247	+3	382	173	271.5	9.8	–
Transport Dev.	N□	281	+3	288	227	382.1	4.6	8.5
Verd NKr		85	+¼	85	£1⅛	161.7	–	–
Wah Kwong HK$		134	—	145	97½	169.6	2.5	7.0

WATER

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglian	N□	521	–3	553	455	1,542	5.1	10.6
Bristol Water	N	945	+7	945	775	56.1	4.1	11.5
Cheam A		398	—	402	195	20.9	3.5	14.2
B N/V		373	—	375	180	8.94	3.7	13.3
East Surrey		368	—	368	270	48.5	3.9	9.2
Mid Kent	N	330	—	330	244	58.4	4.0	12.2
North West	N□	508	–5	537½	431½	1,894	5.3	9.1
Northumbrian	N□	638	–4	654	547	430.0	4.4	8.6
Severn Trent	N□	537	—	554	439	1,917	4.9	8.6
Southern	N□	558	–6	583	454	928.3	4.8	9.3
South Staffs		1580	+5	1590	1225	89.9	3.7	11.3
South West	N□	594	–6	578	465	694.2	6.3	9.1
Thames	N□	526	–1	553	454	2,061	5.0	10.3
Welsh	N□	616	–13	639	506	898.9	4.8	8.2
Wessex	N□	631	–7	*649	538	781.2	4.3	9.5
York W'works		308	—	316	210	19.0	3.7	13.6
Yorkshire	N□	542	—	583	473½	1,077	4.9	9.2

SOUTH AFRICANS

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£12¼	—	£12¼	£7½	739.6	5.8	9.9
Barlow Rand		£9¾	–⅛	£10⅝	£5⅝	1,128	6.0	3.2
Gold Flds Prop		73xd	–7	107	48	7.46	13.7	6.2
NK Props.	h	68	—	97	68	2.73	19.3	2.8
OK Bazaars		88	—	118	70	98.3	2.1	–
SASOL		270	—	308	215	1,528	5.8	ϕ
SA Brews		863	–9	975	753	2,359	3.2	14.3
Tiger Oats		525	–63	750	525	799.7	3.0	12.0
Tongaat-Hulett		317	+6	368	212	237.3	4.6	9.2

PLANTATIONS

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Rubbers, Palm Oil							
Anglo-East	□	55	—	59	35	15.7	3.1
Bertam	N	159	—	160	83	31.3	4.2
Cons Plants M$		47	—	58	42	331.5	8.8
Golden Hope M$		39	—	46	37	469.5	6.0
Highlands M$		28	—	38	24	84.6	10.6
Kuala Kepong M$		70xd	–1	83	74	375.4	5.0
Rowe Evans	N	61	—	63	41	22.6	4.1
Teas							
Williamson		608	—	600½	325	19.6	5.0

MINES

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Central Rand							
Durban Deep		406	–19	769	120	9.44	–
East Rand Prp		165	–1	270	54	32.4	–
Randfont'n Est		489	–11	671	150	295.3	6.2
West Rand		58	—	66	45	2.46	–
Eastern Rand							
AFMIN	♥Z	1	—	1	0½	0.24	10.0
Bracken	†	31	—	46	16	4.34	–
Eastern Trans		65	—	65	16	68.1	3.7
ERGO		112	–7	201	47	51.4	10.5
Grootvlei		91	–4	187	40	10.4	11.6
Kinross	†	795	–13	1080	332	143.1	6.4
Leslie	†	83	–6	137	25	13.3	5.1
Randex		14	—	29	4	1.27	–
Winkelhaak	†	763	–21	1029	323	92.9	1.3
Far West Rand							
Blyvoor		104	–4	133	33	25.0	5.8
Buffels		576	–36	871	233	83.4	11.4
Deelkraal		164	–7	165	37½	103.5	1.9
Doornfontein		39	–2	66	7	15.6	–
Driefontein		669	–36	813	388	1,242	5.0
Elandsrand		398	–2	604	117	296.7	4.0
Hartebeest		283	–5	425	87	283.4	7.6
Kloof		580	–24	813	319	776.2	4.0
Southvaal		1550	–75	2168	24¾	463.0	3.7
Stilfontein		78	–4	109	18	10.2	8.2
Vaal Reefs		243¼	–2	289¼	218	5,151	5.1
Western Areas		288	+5	351	20	187.2	2.7
Western Deep		£18¼	–1⅛	£25⅞	£5⅞	505.0	3.5
Zandpan		40	–5	65	18	62.1	7.7

MINES - Cont.

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Hemlo Gold C$		58¼	—	68⅛	£3½	669.2	1.4
Iverala West		42	—	67	31	21.1	–
Kells Minis		14	—	14	6	0.34	–
Kenmare		9¼	—	13½	6	9.26	–
Mallage Res.		10½	—	25½	7½	1.16	–
Navan Res		92⅞	+1	102	25	15.8	–
5pc Ln Notes		82⅞	+1	96¼	25	16.7	–
Oryx Gold		78¼	—	78⅝	47	–	–
‡‡Ovoca Res		8	—	8	3½	0.58	–
RTZ	□	723	–12	746	607	7,686	3.6

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ϕ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♣ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
■ Rights issue pending
q Earnings based on preliminary figures.
e Dividend yield excludes a special payment.
i Indicated dividend yield, p/e based on previous year's earnings.
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.
xr ex rights;
xa ex all;
xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	156.3	158.9	165.7	+0.89	0.00
AIB Grofund Equity	5	220.0	223.1	238.1	+0.30	1.41
AIB Grofund Euro	5	180.0	181.7xd	191.3	+0.58	0.32
AIB Enhanced Exempt Balanced	3	107.6	108.9xd	113.3	+1.40	1.75
AIB Grofund Gilt	3	78.69	78.72xd	81.15	-0.07	4.84
AIB Grofund Japan	5	185.8	187.7	197.8	+2.50	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corpn St, Coventry 0203 553231

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	454.9	456.5	485.7	-0.3	2.27
General Acc	5	499.1	500.8	532.8	-0.3	2.27
UK Growth Acc	6	331.4	335.8	357.3	-0.3	2.49
UK Growth Inc	6	234.9	238.0	253.2	-0.2	2.49
Higher Inc Acc	6	618.0	626.6	666.6	—	3.62
Higher Inc Inc	6	375.5	380.7	405.0	—	3.62
Gilt/Fxd Int Acc	6½	187.2	187.2	197.7	+0.9	5.68
Gilt/Fxd Int Inc	6½	95.69	95.69	101.0	+0.4	5.68
Nth America	6	249.0	249.7	264.8	+0.8	0.00
Far East	6	328.4	329.5	350.8	+1.4	0.10
Europe	6	248.0	249.8	265.8	+0.7	0.78
Brit Excell	6	67.84	67.84	72.17	-0.5	2.55
Brit Fndmtls Acc	6	94.41	95.69	101.8	—	4.33
Brit Fndmtls Inc	6	73.25	74.39	79.03	+0.1	4.33
Global Opps	6	78.92	78.41	83.42	+0.17	0.02
Balanced Acc	6	50.74	51.37	54.65	+0.03	2.45
Balanced Inc	6	50.74	51.37	54.65	+0.03	2.45

Abbey Unit Tst Mngrs (1000)H

[illegible]

Brown Shipley UT Mngrs (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412282

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'tolio Inc	6	99.31	99.31xd	105.8	+0.18	1.86
Mngd P'tolio Acc	6	189.0	189.0	201.3	+0.10	—
UK General	6	167.3	169.6	181.7	+0.10	2.87
European Inc	6	24.06	24.06	25.90	+0.05	0.44
European Acc	6	24.87	24.87	26.79	+0.04	—
Financial	6	141.8	141.8xd	151.0	—	2.77
Foundation	6	84.95	87.40	93.80	+0.03	2.87
German	6	46.50	46.50	49.65	-0.08	0.08
High Income	6	77.04	77.04xd	82.43	+0.03	6.36
Income	6	138.1	140.3	150.1	-0.30	3.66
Intl Income	6	100.8	100.8xd	107.3	+0.19	4.38
Intl Growth ♣	6	36.68	36.68	39.05	+0.19	0.20
Monthly Income	6	80.15	81.63	87.09	+0.30	3.64
North American	6	108.3	108.3	115.3	+0.60	0.19
Orient ♣	6	140.0	140.0	151.0	+0.15	—
Recovery	6	43.49	45.23	48.62	+0.30	2.30
Smaller Cos Acc	6	315.4	325.0	351.0	-1.70	—
Smaller Cos Inc	6	183.5	189.0	204.2	-1.00	1.06

Brycourt Unit Tst Mgmt Ltd (1400)F
Hallsworth Hse, Portman Sq, W1H 0JR 071-935 8982

Income Growth	1	200.5	200.5	205.9	-3.0	3.78

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 071-480 7216

Short Dated Gilt	1¼	68.17	68.17	69.10	(z)	5.05

CIS Unit Managers Ltd (1000)F
PO Box 105, Manchester M60 0AH 061-837 5060

Europe	6	142.1	145.2	154.5	+0.1	1.57
UK Growth	6	154.3	156.5xd	166.5	—	2.00
UK Income	6	132.1	133.7	142.3	—	3.93

Canada Life Unit Tst Mngrs Ltd (1200)F
High St, Potters Bar, Herts, EN6 5BA 0707 651122

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. *The price at which units are sold back by investors.*

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. *Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.*

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

[illegible]

FT MANAGED FUNDS SERVICE

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	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3005						
European Trust	5	57.18	57.30	60.95	-0.1	1.48
Far Eastern Tst	5	67.57	67.57	72.19	-0.80	1.61
Smaller Cos	5	170.5	170.5	181.2	-4.8	1.57
Smith & Williamson Unit Tst Mgrs (1700)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American	5	270.7	270.7	[illegible]	-8.9	0.32
S & W Capital	5	125.5	125.6	134.7	-0.2	1.35
S & W Cash	0	102.02	102.02	102.02	+0.04	5.41
S & W European	5	122.5	122.6	128.7	+0.3	0.69
S & W Far Eastern	5	161.1	162.8	172.3	-0.8	0.00
S & W Growth	5	134.6	135.5	144.4	-0.4	1.37
S & W Income	5	121.7	122.9	130.0	+0.1	4.53
S & W [illegible]	5	132.3	132.5	142.0	-0.3	1.35
S & W Smlr Secs	5	341.1	348.5	[illegible]	+1.0	0.65
S & W Thoroughbred	5	155.2	155.2	166.7	-0.3	1.22
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	50.13	50.13	50.65	+0.01	5.3
Capital Prtmnce	5½	58.64	58.93	62.65	-0.02	7.9
Ethical	5½	55.55	55.40	58.96	-0.10	3.8
European Growth	5½	64.34	64.78	69.05	-0.24	2.5
Income	5½	53.11	56.69	60.56		5.4
Intl Growth	5½	87.06	87.71	93.35	-0.11	2.8
Managed	5½	74.45	75.21	80.33	-0.16	3.3
UK Growth	5½	59.26	59.55	63.44	-0.01	4.1
Standard Life Tst Mngmt Ltd (0730)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5½	47.24	47.24	50.20		1.46
UK Equity Gth Acc	5½	63.62	64.78	68.80	+0.2	1.09
UK Eq High Inc Inc	5½	38.33	38.33	40.73	+0.1	3.55
UK Eq High Inc Acc	5½	45.52	45.52	[illegible]	+0.1	[illegible]

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

FT MANAGED FUNDS SERVICE

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Providence Capital Life Assc. Co Ltd - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Group Pension Funds				
Equity Acc	1171.1	1207.4	[illegible]	-
Fixed Interest Acc	938.7	987.8	[illegible]	-
Managed Acc	176.4	179.9	[illegible]	-
Alpha Funds				
UK Alpha		228.3	-	-
US Alpha		108.9	-	-
Gilt Alpha		89.9	-	-
Gold Alpha		89.6	-	-
Japan Alpha		48.0	-	-
US Dollar Alpha		72.0	-	-
Yen Alpha		77.0	-	-
D-Mark Alpha		80.7	-	-
European Alpha		91.6	-	-
Alpha Pension Funds				
UK Alpha		254.0	-	-
US Alpha		123.0	-	-
Gilt Alpha		89.9	-	-
Gold Alpha		90.6	-	-
Japan Alpha		48.6	-	-
US Dollar Alpha		76.0	-	-
Yen Alpha		83.5	-	-
DM Alpha		80.4	-	-
European Alpha		98.4	-	-

Provident Life Assoc Ltd

Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or -	Yield Gross
Gold Range (Pensions)				
Managed Fund		169.5	-0.2	-

Provident Mutual Life Assc. Assn.

6 Hills Way Stevenage Herts SG1 2ST 0438 732000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	440.3	463.5	-	-
Managed Init	309.1	325.4	-0.1	-
Equity Ord	650.1	683.8	-1.5	-
Equity Init	462.8	487.2	-1	-
Index Linked Gilt Ord	204.0	214.7	+0.2	-
Index Linked Gilt Init	149.6	157.5	+0.1	-
Overseas Equity Ord	358.0	376.8	+1.5	-
Overseas Equity Init	251.4	264.6	+1.1	-
Property Ord	233.3	245.6	-	-
Property Init	163.8	172.4	-	-
Fixed Interest Ord	279.4	294.1	+0.4	-
Fixed Interest Init	196.2	206.5	+0.3	-
Deposit Ord	198.3	208.7	+0.1	-
Deposit Init	139.2	146.5	-	-
Pension Funds				
Managed Ord	588.6	619.6	-	-
Managed Init	413.4	435.2	-	-
Equity Ord	912.1	960.1	-2.6	-

Save & Prosper Group (z)

16-22 Western Rd, Romford RM1 3LB 0708-766966

	Bid Price	Offer Price	+ or -	Yield Gross
A.G. Bond Fd	140.9	148.2	-0.4	-
Bal Inv Fd	701.1	742.0	+1.6	-
Deposit Fd†	353.4	374.0	-	-
Directors' Portfolio	77.1	81.6	+0.3	-
Equity Pens Fd	177.2	187.6	+0.6	-
European Mngd Fd	61.3	64.9	-	-
Gilt Fd	612.0	641.8	+0.3	-
Gilt Pens Fd	140.6	149.0	-	-
Global Equity Fd	219.5	232.3	+0.8	-
Global Eq Pens Fd	208.9	221.1	+1.0	-
High Int Pens Fd†	129.2	136.8	-	-
Japanese Mngd Fd	76.4	80.9	+0.7	-
Managed Income Fd	80.5	85.6	+0.1	4.65
Man Pens Fd	180.1	190.6	+0.6	-
North American Mngd Fd	66.9	70.8	+0.2	-
Pacific Mngd Fd	69.1	73.2	+0.6	-
Property Fd*	89.4	94.7	-	-
Prop Pens Fd*	114.6	121.3	-	-
Taxable Limited Managed	207.1	219.2	+0.6	-
UK Capital Portfolio	58.7	62.2	+0.2	-
UK Managed Gilt Fd	57.1	60.5	+0.2	-

†Weekly dealings. *Fortnightly dealings

Scottish Amicable

150 St Vincent St, Glasgow 041-248 2323

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds (First Series)				
Managed	433.2	456.1	-2.10	-
Equity	645.2	679.0	-3.60	-
Property	248.1	261.2	-	-
International	430.9	453.6	-1.30	-
Japanese	125.8	132.5	+0.30	-
Asia Pacific	150.2	158.2	+0.20	-
European	117.8	124.1	-1.00	-
American	152.0	160.1	-0.80	-
Fixed Interest	364.9	384.2	-0.10	-
Index-Linked Gilt	198.5	209.1	+0.50	-
Cash	222.1	233.8	+0.10	-
Life Funds (Second Series)				
Managed	120.7	127.1	-0.60	-
Equity	117.4	123.6	-0.80	-
Property	104.4	109.9	-	-
International	133.3	140.4	-0.40	-
Japanese	128.2	132.9	+0.20	-
Asia Pacific	147.6	155.4	+0.30	-
European	117.0	123.2	-1.00	-
American	148.7	156.6	-0.90	-
Fixed Interest	137.4	144.7	-	-
Index-Linked Gilt	127.2	133.9	+0.30	-
Cash	110.5	116.2	-	-

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

John Govett (Channel Islands) Ltd (1000)F
6 Mission Place, Helier, Jersey 0534 30075
Global Stock Inv Ltd (Daily Growth Realisation)

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global Equity			–	–		
Global High Income	5½	$11.13	11.13	11.18	–	–
Dollar Cash	5½	$8.84	8.84	8.87	-0.02	10.5
Japanese Smllr Cos	5	Y989	989	1002	-0.01	3.00
Far East Equity	5½	$17.19	17.19	17.83	+5	0.00
US Smaller Cos	5½	$17.84	17.84	18.05	-0.01	1.00
European Equity	5½	[illegible]	13.41	13.58	+0.01	0.73
UK High Income	5	£5.58	5.58	5.80	+0.01	2.00

Initial charge may alter for sales in other jurisdictions

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F
PO Box 63, Bond Street, St. Helier, Jersey 0534 604914

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stg Fixed Int	3½	£1.387	1.3879	1.441	+0.001	7.06
Offshore High Yield	3½	£1.577	1.577	1.635	-0.002	9.25
Global Equity Fund	5½	$17.29	17.44	18.65	+0.02	0.00
European Equity	5½	[illegible]	21.43	22.62	+0.07	1.82
UK Growth (CI Fund)	5½	£5.485	5.487	5.818	+0.005	1.63
Nth American Eqty	5½	$11.64	11.64	12.42		0.00
Far Eastern Eqty	5½	£16.12	15.34	16.41	+0.27	0.00
International Mngd	5½	£13.84	13.84	14.89	+0.06	0.00

Intnl. Bond Fund

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sterling Managed	3½	£12.24	12.24	12.77	+0.03	7.35
US Dollar Managed	3½	$14.22	14.22	14.83	+0.01	5.36

International Currency Fund

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sterling Managed ‡	3½	£32.69	32.69	33.88	+0.08	
US Dollar Managed ‡	3½	$31.24	31.24	32.37	+0.02	–
Sterling ‡	0	£29.60	29.60	29.60	—	4.71
US Dollar ‡	0	$40.23	40.23	40.23	—	1.82
Deutschemark ‡	0	DM70.82	70.82	70.82	+0.01	5.71
Japanese Yen ‡	0	Y5155	5155	5155	—	1.83
Swiss Franc ‡	0	SFr52.91	52.91	52.91	+0.01	3.65
Irish Punts ‡	0	I£25.78	25.78	25.78	+0.01	4.41

Lloyds Bank (CI) U/T Mgrs.
PO Box 195, St Helier, Jersey 0534 284242

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Lloyds Tst. Gilt	3½	£10.588	10.560	11.250	-0.016	7.11

Dealing daily

Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey 0534 606000

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Circuit Portfolio	5	£1.2819	1.2819	1.3007	[illegible]	[illegible]
Gilt	3	£1.0553	1.0553	1.0692	[illegible]	7.35

Prudential Fund Managers (Jersey) Ltd
PO Box 103, St Helier, Jersey 0534 70000
Prudential Currency Fd (formerly Vanbrugh Currency Fd)

[illegible]

Bank Von Ernst & Cie AG - Contd.
International Sub-Funds

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global Equity		$	11.03	–	+0.07	–
Global Bond		$	12.04	–	+0.08	–
Global Bond Dly		$	10.88	–	+0.05	–
Global Managed		$	10.17	–	+0.10	–

Banque Scandinave a Luxembourg SA
16 Boulevard Royal, L-2449, Luxembourg
Scandifonds
Scandifond Equity Fund

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity Int. Acc	5	$	17.27	18.15	+0.01	3.17
Equity Global	5	$	1.58	1.65	—	–
Equity Natural Res	5	$	1.18	1.25	—	–
Equity Japan Acc	5	Y	118.12	124.04	-0.38	–
Equity UK	5	£	1.48	1.56	—	–
Equity Nordic	5	$	1.33	1.4	—	–
Equity North America	5	$	2.03	2.14	—	–
Equity Mediterranean	5	$	1	1.06	—	–
Equity Contl Europe	5	$	1.69	1.69	-0.01	–

Scandifond Far East

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Far East Global	5	$	3.75	3.95	-0.01	–

Scandifond Bond Fund

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Bond Int. Acc	1	$	12.86	13	-0.01	6.84
Europe Bond Acc	1	Ecu	1.82	1.84	—	7.15
Bond DEM Acc	1	DM	1.27	1.29	+0.01	6.64
Bond USD Acc	1	$	1.47	1.5	—	5.78
Bond Swedish Acc	1	SKr	16.98	17.14	+0.01	10.18

Scandifond International Stars

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Emerging Markets	5	$	1.21	1.28	-0.01	–

Barclays Diversified Portfolio
14 rue Aldringen L-1118 352 4799 2898

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
IPB Deutschmark Reserve		DM	31.87	–	—	–
IPB Sterling Reserve		£	10.59	–	—	–
IPB Swiss Franc Reserve		SFr	30.84	–	—	–
IPB US Dollar Reserve		$	20.46	–	—	–
IPB European Bond		Ecu	18.58	–	—	–
IPB North American Bond		$	21.85	–	—	–
IPB Espana		Pta	3209	–	—	–
IPB Europe		Ecu	12.68	–	—	–
IPB Japan		$	39.43	–	—	–
IPB Pacific Rim		$	26.23	–	—	–
IPB United Kingdom		£	11.04	–	—	–
IPB United States		$	22.07	–	—	–
IPB Hedged Global Bd Dlr		$	20.49	–	—	–
IPB Hedged Global Bd Stg		£	10.23	–	—	–

Barclays Inv Funds (Luxembourg)
41 Avenue de la Gare L-1611 010 352 404944

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar rally short lived

THE DOLLAR yesterday regained some of the ground it had lost against the D-Mark in recent days, rising to a peak of DM1.6250 against the German currency, but the rally proved to be short-lived, *writes James Blitz.*

Last week's poorer-than-expected non-farm payroll figure helped to push the dollar down to a close of DM1.6120 on Monday night. Yesterday morning in Europe, the US currency regained some lost ground as dealers took profits in the wake of the hefty move downwards in recent days.

But the dollar was later unsettled after the Bundesbank announced that it was setting a fixed rate repo in its money market operations at 6.80 per cent, unchanged from the previous week. The Bundesbank's move suggested that monetary policy will remain tight at its council meeting this week, and the dollar closed at DM1.6105, down nearly a quarter pfennig on the day.

Dealers have not given up all hope that the Bundesbank will reduce the discount rate at its council meeting tomorrow, although such a move has barely been discounted by dealers.

But one factor which may have pushed the Bundesbank council in the direction of "no change" in the discount rate were better than expected figures for German GDP.

This rose a real, seasonally and calendar adjusted 0.5 per cent in the second quarter from the first quarter for a year-on-year decline of 1.9 per cent. Economists had predicted that the year-on-year decline would be in the order of 2.6 per cent.

However, Mr Richard Segal, international bond market analyst at Technical Data in London said: "Closer examination of the figures shows that, by sector, most categories of final demand declined. This suggests that the economy is poorly placed to grow in the future."

Despite the Bundesbank's move, European currencies performed a little more strongly against the D-Mark. The French franc closed at FFr3.519 from a previous FFr3.523 and the Belgian franc was almost unchanged at BFr21.63. Sterling also performed strongly against the D-Mark, closing at DM2.4850 from a previous DM2.4625. Against the dollar it closed at $1.5425 from a previous $1.5270.

In the last two weeks, sterling has come under consistent pressure against the D-Mark and the dollar. Mr Jeremy Hawkins, economic adviser at Bank of America in London, says this is surprising, bearing in mind that the fundamental reasons for sterling strength are in place: equity markets are strong, recent economic data have been better than expected and the money markets are not discounting an imminent cut in interest rates. He believes that one of the main causes of sterling weakness may have been that central banks have been selling sterling to buy D-Marks in order to repay the Bundesbank for recent intervention.

£ IN NEW YORK

Sep 7	Latest	Previous Close
£ Spot	1.5405-1.5415	1.5290 1.5310
1 month	0.40-0.39pm	0.35 0.34pm
3 months	1.06-1.04pm	1.02 1.00pm
12 months	3.30-3.20pm	3.09 3.02pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep 7	Previous
8.30 am	80.7	81.2
9.00 am	80.7	81.2
10.00 am	80.7	81.1
11.00 am	80.8	81.0
Noon	80.7	81.1
1.00 pm	80.7	81.1
2.00 pm	80.9	80.9
3.00 pm	81.1	80.9
4.00 pm	81.3	80.8

CURRENCY RATES

Sep 7	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	N/A	0.771715
U.S Dollar	3.00	N/A	1.17802
Canadian $	4.99	N/A	1.55994
Austrian Sch	6.25	N/A	13.4342
Belgian Franc	7.00	N/A	41.0924
Danish Krone	9.25	N/A	7.88036
D-Mark	6.75	N/A	1.90899
Dutch Guilder	5.75	N/A	2.14178
French Franc	10	N/A	6.71179
Italian Lira	9.00	N/A	1841.78
Japanese Yen	2.50	N/A	122.020
Norway Krone	-	N/A	8.31567
Spanish Peseta	-	N/A	155.487
Swedish Krona	11.50	N/A	9.34997
Swiss Franc	4.50	N/A	1.67809
Greek Drach	19	N/A	272.123
Irish Punt	-	N/A	0.823044

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Sep 6

CURRENCY MOVEMENTS

Sep 7	Bank of England Index	Morgan ** Guaranty Changes %
Sterling	81.3	N/A
U.S Dollar	64.4	N/A
Canadian Dollar	90.3	N/A
Austrian Schilling	115.2	N/A
Belgian Franc	111.5	N/A
Danish Krone	111.5	N/A
D-Mark	126.3	N/A
Swiss Franc	115.4	N/A
Dutch Guilder	120.8	N/A
French Franc	108.5	N/A
Lira	78.8	N/A
Yen	183.8	N/A
Peseta	87.3	N/A

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100) **Rates are for Sep 6

OTHER CURRENCIES

Sep 7	£	$
Argentina	1.5415 - 1.5430	1.0005 - 1.0015
Australia	2.3505 - 2.3525	1.5355 - 1.5365
Brazil	152.120 - 152.125	98.7500 - 98.7510
Finland	8.7915 - 8.8775	5.7275 - 5.7475
Greece	349.400 - 357.100	229.100 - 234.200
Hong Kong	11.8965 - 11.9130	7.7420 - 7.7430
Iran	2423.00 - 2428.00	1583.00 - 1585.00
Korea(Sth)	1225.90 - 1245.85	805.10 - 811.50
Kuwait	0.46090 - 0.46200	0.29930 - 0.29980
Luxembourg	53.70 - 53.80	34.80 - 34.90
Malaysia	3.9165 - 3.9255	2.5465 - 2.5475
Mexico	4.7900 - 4.7935	3.1095 - 3.1115
N.Zealand	2.8035 - 2.8076	1.8200 - 1.8225
Saudi Ar	5.7675 - 5.7810	3.7495 - 3.7505
Singapore	2.4640 - 2.4710	1.6025 - 1.6035
S.Af (Cm)	5.2340 - 5.2470	3.4015 - 3.4035
S.Af (Fn)	7.3945 - 7.4100	4.8000 - 4.8100
Taiwan	41.45 - 41.60	26.90 - 27.00
U.A.E	5.6445 - 5.6615	3.6715 - 3.6735

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 7	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.14178	-2.50	8.41	-
D-Mark	1.94964	1.90899	-2.09	7.95	-
Spanish Peseta	154.250	155.487	0.80	4.85	-6
Portuguese Escudo	192.854	196.282	1.78	3.85	-12
Irish Punt	0.808628	0.823044	1.78	3.84	-12
Belgian Franc	40.2123	41.0924	2.19	3.43	-18
French Franc	6.53883	6.71179	2.65	2.97	-22
Danish Krone	7.43679	7.88036	5.70	0.00	-39

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. ‡Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5245 - 1.5445	1.5420 - 1.5430	0.40-0.38cpm	3.03	1.05-1.02pm	2.68
Canada	2.0180 - 2.0485	2.0405 - 2.0415	0.29-0.21cpm	1.47	0.55-0.41pm	0.94
Netherlands	2.7625 - 2.7950	2.7825 - 2.7925	⅛-¼cdis	-0.81	¼-½dis	-0.54
Belgium	53.15 - 53.80	53.70 - 53.80	29-41cdis	-7.81	70-85dis	-6.14
Denmark	10.1475 - 10.2475	10.2325 - 10.2424	5½-6½oredis	-7.03	14⅝-16½dis	-6.08
Ireland	1.0635 - 1.0720	1.0670 - 1.0680	0.08-0.11cdis	-1.07	0.20-0.27dis	-0.88
Germany	2.4650 - 2.4875	2.4825 - 2.4875	⅛-¼pfdis	-0.91	⅜-½dis	-0.70
Portugal	253.50 - 255.80	254.80 - 255.80	117-130cdis	-5.80	326-363dis	-5.40
Spain	200.85 - 202.70	202.10 - 202.40	84-92cdis	-5.22	221-242dis	-4.58
Italy	2373.50 - 2417.00	2415.75 - 2416.75	7-8liredis	-3.72	19½-21½dis	-3.39
Norway	10.7200 - 10.8925	10.8825 - 10.8925	par-1oredis	-0.55	¼-2dis	-0.41
France	8.6700 - 8.7550	8.7400 - 8.7500	1¼-1⅝cdis	-1.97	3⅛-3⅞dis	-1.66
Sweden	12.0625 - 12.2100	12.2000 - 12.2100	1½-3¼oredis	-2.34	5¼-7½dis	-2.17
Japan	157.00 - 161.00	160.00 - 161.00	½-⅜ypm	3.27	1¼-1⅛pm	2.95
Austria	17.31 - 17.58	17.42 - 17.45	¼-1¾grodis	-0.86	2⅞-4½dis	-0.82
Switzerland	2.1850 - 2.1900	2.1800 - 2.1900	¼-⅛cpm	1.03	⅝-½pm	1.03
Ecu	1.3005 - 1.3145	1.3120 - 1.3130	0.27-0.31cdis	-2.65	0.63-0.69dis	-2.01

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.87-1.82pm. 12 Month 3.30-3.20pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5245 - 1.5445	1.5420 - 1.5430	0.40-0.38cpm	3.03	1.05-1.02pm	2.68
Ireland†	1.4246 - 1.4425	1.4385 - 1.4395	0.52-0.48cpm	4.17	1.38-1.29pm	3.68
Canada	1.3225 - 1.3260	1.3235 - 1.3245	0.18-0.19cdis	-1.59	0.55-0.61dis	-1.75
Netherlands	1.8050 - 1.8235	1.8065 - 1.8075	0.58-0.61cdis	-3.95	1.48-1.54dis	-3.34
Belgium	34.85 - 35.00	34.80 - 34.90	28.00-35.00cdis	-10.85	70.00-85.00dis	-8.90
Denmark	6.6350 - 6.6850	6.6350 - 6.6400	4.80-5.30oredis	-9.13	12.50-13.50dis	-7.83
Germany	1.6080 - 1.6255	1.6100 - 1.6110	0.54-0.55pfdis	-4.06	1.37-1.39dis	-3.43
Portugal	165.40 - 166.85	165.70 - 165.80	123-127cdis	-9.05	327-352dis	-8.19
Spain	131.10 - 132.20	131.30 - 131.40	90-93cdis	-8.36	235-245dis	-7.31
Italy	1555.25 - 1570.00	1566.25 - 1566.75	8.90-9.30liredis	-6.97	23.00-25.00dis	-6.13
Norway	7.0300 - 7.0750	7.0550 - 7.0600	1.60-2.15oredis	-3.19	4.80-5.20dis	-2.83
France	5.6600 - 5.7150	5.6675 - 5.6725	2.30-2.45cdis	-5.03	6.10-6.30dis	-4.37
Sweden	7.8775 - 7.9800	7.9100 - 7.9150	3.35-3.95oredis	-5.54	8.85-9.85dis	-4.73
Japan	103.25 - 104.25	103.95 - 104.05	0.03-0.02ypm	0.29	0.13-0.11pm	0.46
Austria	11.3350 - 11.4200	11.3500 - 11.3550	3.60-4.00grodis	-4.02	9.60-10.80dis	-3.59
Switzerland	1.4155 - 1.4320	1.4165 - 1.4175	0.22-0.25cdis	-1.99	0.58-0.63dis	-1.66
Ecu†	1.1660 - 1.1755	1.1735 - 1.1745	0.51-0.50cpm	5.16	1.40-1.38pm	4.74

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Sep 7	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	6¼ - 6	6 - 5¾	5 13/16 - 5 11/16	5 13/16 - 5 11/16	5 11/16 - 5 9/16	5¾ - 5⅝
US Dollar	3⅛ - 3	3 1/16 - 2 15/16	3⅛ - 3	3 3/16 - 3 1/16	3 5/16 - 3 3/16	3½ - 3⅜
Can. Dollar	4 3/16 - 4 1/16	4 3/16 - 4 1/16	4 5/16 - 4 3/16	5 - 4⅞	5 1/16 - 4 15/16	5⅜ - 5¼
Dutch Guilder	6 13/16 - 6 11/16	6 13/16 - 6 11/16	6¾ - 6⅝	6½ - 6⅜	6 5/16 - 6 3/16	5⅞ - 5¾
Swiss Franc	5⅛ - 5	5⅛ - 4⅞	4 13/16 - 4 11/16	4¾ - 4⅝	4⅝ - 4½	4 7/16 - 4 5/16
D-Mark	6⅞ - 6¾	6⅞ - 6¾	6⅞ - 6¾	6⅝ - 6½	6 7/16 - 6 5/16	6 1/16 - 5 15/16
French Franc	7¾ - 7½	7¾ - 7½	7¾ - 7½	7½ - 7¼	6⅞ - 6⅝	6¼ - 6
Italian Lira	11 - 9	9½ - 9	9½ - 9	9¼ - 8¾	9 - 8⅝	8⅝ - 8¼
Belgian Franc	12 - 11½	12⅛ - 11⅜	12⅛ - 11⅝	11⅜ - 11⅛	9¾ - 9⅝	8⅝ - 8⅜
Yen	3 1/16 - 3	3 - 2 13/16	2 15/16 - 2¾	2 13/16 - 2 11/16	2 11/16 - 2⅝	2 11/16 - 2⅝
Danish Krone	10 - 9	11¾ - 10¾	11¾ - 10¾	11⅜ - 10⅞	10 - 9½	8¾ - 8¼
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 2½	4 - 3	4 - 3	4¼ - 3¾
Spanish Peseta	10 11/16 - 10 7/16	10 11/16 - 10 7/16	10 11/16 - 10 7/16	10¾ - 10 9/16	10 1/16 - 9 13/16	9½ - 9 5/16
Portuguese Esc	12 - 11½	12 - 11½	11⅝ - 11⅜	11½ - 11	11¼ - 10¾	11⅛ - 10¾

Long term Eurodollars: two years 3⅞-3¾ per cent; three years 4⅜-4¼ per cent; four years 4⅝-4½ per cent; five years 4⅞-4¾ per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sep 7	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.543	2.485	160.5	8.745	2.185	2.786	2416	2.041	53.75	202.3	1.313
$	0.648	1	1.610	104.0	5.668	1.416	1.807	1566	1.323	34.83	131.1	0.851
DM	0.402	0.621	1	64.58	3.519	0.879	1.122	972.2	0.821	21.63	81.41	0.528
YEN	6.231	9.614	15.48	1000.	54.49	13.61	17.37	15053	12.72	334.9	1260	8.181
F Fr.	1.144	1.764	2.842	183.5	10.	2.439	3.188	2763	2.334	61.46	231.3	1.501
S Fr.	0.458	0.706	1.137	73.48	4.002	1	1.276	1106	0.934	24.60	92.59	0.601
N Fl.	0.359	0.553	0.891	57.57	3.137	0.784	1	866.6	0.732	19.28	72.56	0.471
Lira	0.414	0.639	1.029	66.43	3.620	0.904	1.154	1000.	0.845	22.25	83.73	0.543
C $	0.490	0.756	1.218	78.64	4.285	1.071	1.366	1184	1	26.34	99.12	0.643
B Fr.	1.860	2.871	4.623	298.6	16.27	4.065	5.187	4495	3.797	100.	376.4	2.443
Pta	0.494	0.763	1.228	79.34	4.323	1.080	1.378	1194	1.009	26.57	100.	0.649
Ecu	0.762	1.175	1.893	122.2	6.660	1.664	2.123	1840	1.554	40.94	154.1	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls October	Calls December	Calls March	Puts October	Puts December	Puts March
120	-	-	-	-	0.14	-
121	-	2.59	-	-	0.28	-
122	-	1.84	-	0.11	0.51	-
123	0.74	1.23	-	0.40	0.87	-
124	0.28	0.74	-	-	1.39	-
Open Int	51,933	165,960	25,820	34,587	150,430	17,843

Estimated volume 28,787 † Total Open Interest 446,873

† All Yield & Open Interest figures are for the previous day.

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5425	1.5386	1.5322	1.5241	1.5100

BASE LENDING RATES

%	%	%
Adam & Company ... 6	Cyprus Popular Bank ... 6	Mount Banking ... 6
Allied Trust Bank ... 6	Duncan Lawrie ... 6	NatWestminster ... 6
AIB Bank ... 6	Equatorial Bank plc ... 6	Nykredit Mortgage Bnk 6.5
●Henry Ansbacher ... 6	Exeter Bank Limited ... 7	●Rea Brothers ... 6
B & C Merchant Bank ... 13	Financial & Gen Bank ... 7	* Roxburghe Bank Ltd ... 6
Bank of Baroda ... 6	●Robert Fleming & Co ... 6	* (In administration)
Banco Bilbao Vizcaya ... 6	Girobank ... 6	Royal Bk of Scotland ... 6
Bank of Cyprus ... 6	●Guinness Mahon ... 6	●Smith & Williamson Secs . 6
Bank of Ireland ... 6	Habib Bank AG Zurich ... 6	Standard Chartered ... 6
Bank of India ... 6	●Hambros Bank ... 6	TSB ... 6
Bank of Scotland ... 6	Heritable & Gen Inv Bk. 6	●United Bk of Kuwait ... 6
Barclays Bank ... 6	●Hill Samuel ... 6	Unity Trust Bank Plc ... 6
Brit Bk of Mid East ... 6	C. Hoare & Co ... 6	Western Trust ... 6
●Brown Shipley ... 6	Hongkong & Shanghai. 6	Whiteaway Laidlaw ... 6
CL Bank Nederland ... 6	Julian Hodge Bank ... 6	Wimbledon & Sth West. 7
Citibank NA ... 6	●Leopold Joseph & Sons 6	Yorkshire Bank ... 6
City Merchants Bank ... 6	Lloyds Bank ... 6	
Clydesdale Bank ... 6	Meghraj Bank Ltd ... 6	● Members of British Merchant Banking & Securities Houses Association
The Co-operative Bank ... 6	McDonnell Douglas Bk. 6	
Coutts & Co ... 6	Midland Bank ... 6	
Credit Lyonnais ... 6		

MONEY MARKETS

Repo is unchanged

THE BUNDESBANK yesterday underlined its unchanged stance on monetary policy by announcing a fixed rate repo at 6.80 per cent for today's operations, *writes James Blitz.*

There are still some expectations in the market that the Bundesbank could cut its discount rate from its current level of 6.75 per cent at its council meeting tomorrow.

UK clearing bank base lending rate 6 per cent from January 26, 1993

But with the repo rate unchanged, any cut up to 50 basis points would amount to little more than a technical move. The central bank is clearly keen to see some progress on consumer price inflation and the German budget deficit reduction talks before easing policy any further.

Dealers in interest rate futures markets were therefore rather downbeat when betting on German rate moves.

The September contract fell 2 basis points to close at 93.50. At this level, it is assuming that 3 month money in Germany will be at 6.50 per cent when the contract matures next week, barely changed from yesterday's 3 month cash rate of 6.53 per cent.

The December contract dropped 3 basis points to close at 94.10. But, at this level, it is somewhat more optimistic, looking for some 63 basis points off 3 month money by the end of the year.

French franc interest rate futures were more generally upbeat yesterday as the French currency stabilised against the D-Mark on the foreign exchanges.

After closing at 92.65 on Monday night, the September Pibor contract rose to a peak of 92.74 in the first hour of trading yesterday, but later fell back to close at 92.70. Dealers are clearly looking for little change in yesterday's cash rate of about 7.35 per cent before next week.

The December contract was more ebullient, peaking at 94.11 yesterday, some 8 basis points above Monday's close. But it later fell back to close at 94.03. Dealers are looking for a huge cut of 130 basis points in French 3-month money by the year end.

Cash rates in the sterling markets were a little firmer as dealers continued to take the view that interest rates in the UK would not come down quickly.

Three month money was about 1/16 per cent higher at 5 13/16 per cent. Short dated interest rates were little affected by a shortage of £600m announced by the Bank of England.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep 7) 3 months US dollars		6 months US Dollars	
bid 3 1/16	offer 3 3/16	bid 3 3/16	offer 3 5/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — *Treasury Bills and Bonds*

Lunchtime					
Prime rate	6	One month	2.88	Three year	4.02
Broker loan rate	5	Two month	3.00	Five year	4.82
Fed.funds	3 1/16	Three month	3.00	Seven year	4.85
Fed.funds at intervention	3⅛	Six month	3.13	10-year	5.27
		One year	3.25	30-year	5.92
		Two year	3.73		

Sep 7	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.75-6.85	6.75-6.85	6.60-6.75	6.45-6.55	6.25-6.40	7.75
Paris	7 1/16-7 5/16	7.50-7.80	-	7.20-7.50		6.75
Zurich	5-5¼	4¾-4⅞	-	4⅝-4¾	-	-
Amsterdam	6.62-6.68	6.58-6.63	-	6.37-6.45	-	-
Tokyo	2 13/16-3	-	-	-	-	-
Milan	9 1/16-9 11/16	9 1/16-9½	-	9¼-9 7/16	-	-
Brussels	11½-12	12-12½	-	11½-12	-	-
Dublin	6¾-6⅞	6⅞-6 13/16	6⅞-6 13/16	6¾-6⅞	6½-6⅝	-

LONDON MONEY RATES

Sep 7	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	6	6	5 15/16	5 15/16	5 13/16	5¾
Interbank Bid	5	5¾	5 13/16	5 13/16	5 11/16	5⅝
Sterling CDs	-	-	5 13/16	5 13/16	5 11/16	5⅝
Local Authority Deps.	5¾	5¾	5 13/16	5 13/16	5 13/16	5¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	5½	5 13/16	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	5⅞	5⅞	5 13/16	5 13/16
Treasury Bills (Buy)	-	-	5⅝	5 11/16	5 9/16	-
Bank Bills (Buy)	-	-	5⅝	5 13/16	5 13/16	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	2.94	2.95	3.02	3.17
SDR Linked Dep. Offer	-	-	4 5/16	4¼	4 3/16	4⅛
SDR Linked Dep. Bid	-	-	4 3/16	4⅛	4 1/16	4
ECU Linked Dep. Offer	-	-	8⅛	7¾	7 3/16	6⅝
ECU Linked Dep Bid	-	-	7⅞	7½	6 15/16	6⅜

Treasury Bills (sell); one-month 5 9/16 per cent; three months 5⅛ per cent; six months 5⅛ per cent; Bank Bills (sell): one-month 5 13/16 per cent; three months 5 11/16 per cent; Treasury Bills: Average tender rate of discount 5.1336 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day August 31, 1993. Agreed rates for period Sep 26, 1993 to Oct 25, 1993 Schemes II & III: 7.15 p.c. Reference rate for period July 31, 1993 to Aug 31, 1993, Scheme IV&V: 5.896 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 6pc from September 1, 1993: Bank Deposit Rate for sums at 7 days notice 5⅛ p.c. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 2¼ p.c.; one-three months 5¼ p.c.; three-six months 5 p.c.; six-nine months 4¾ p.c.; nine-twelve months 4½ p.c.; Under £100,000 2¾ p.c. from Jan.27, 1993. Deposits withdrawn for cash 1½p.c.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close September 7

Quotations in cents unless marked $

Total Sales 27,165,988 shares

MONTREAL

4 pm close September 7

INDICES

NEW YORK

DOW JONES	Sep 3	Sep 2	Sep 1	Aug 31	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3633.93	3628.10	3645.10	3651.25	3652.09 (25/8)	3241.95 (20/1)	3652.09 (25/8/93)	41.22 (2/7/32)
Home Bonds	109.24	109.35	109.39	109.34	109.45 (30/8)	103.49 (11/1)	109.45 (30/8/93)	54.99 (1/10/81)
Transport	1623.86	1631.98	1650.78	1665.53	1683.08 (18/4)	1453.84 (4/1)	1683.08 (18/4/93)	12.32 (8/7/32)
Utilities	254.65	253.83	255.34	258.46	258.46 (31/8)	217.14 (8/1)	258.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 3651.53 (3660.19) Low 3603.75 (3610.17) (Theoretical♠)
Day's High 3638.12 (3648.45) Low 3616.88 (3623.59) (Actual♠)

STANDARD AND POOR'S	Sep 3	Sep 2	Sep 1	Aug 31	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	461.34	461.30	463.15	463.56	463.56 (31/8)	429.05 (8/1)	463.56 (31/8/93)	4.40 (1/6/32)
Industrials¶	521.83	522.17	524.10	524.47	524.99 (10/3)	486.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	46.97	46.81	47.05	47.11	47.11 (31/8)	38.89 (8/1)	47.11 (31/8/93)	8.64 (1/10/74)
NYSE Composite	256.22	256.11	256.86	256.88	258.88 (31/8)	236.21 (8/1)	258.88 (31/8/93)	4.46 (25/4/42)
Amex Mkt. Value	461.57	461.28	458.97	458.80	461.57 (3/9)	395.84 (8/1)	461.57 (3/9/93)	29.31 (9/12/72)
NASDAQ Composite	749.71	748.65	746.15	742.86	749.71 (3/9)	645.87 (26/4)	749.71 (3/9/93)	54.87 (31/10/72)

	Sep 3	Aug 27	Aug 20	year ago (approx.)
Dow Industrial Div. Yield	2.80	2.80	2.82	3.15
	Sep 1	Aug 25	Aug 18	year ago (approx.)
S & P Industrial div. yield	2.45	2.46	2.48	2.63
S & P Ind. P/E ratio	28.07	27.86	25.80	27.52

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
ADV Micro	4,113,300	29¼	- 1¾
Wal-Mart	3,603,300	24½	- ¼
Merck	3,432,400	33	- ⅛
RJR Nabisco	2,055,000	5	+ ⅛
Chrysler	1,784,700	42	- ¾
Gen Motors	1,768,100	44⅞	- ¾
Fed Dept Sto	1,764,300	20⅝	+ ⅜
Sunshine Min	1,678,800	3⅝	- ⅛
K-Mart	1,586,100	22¼	- ¼
Am Barrick	1,530,700	24	- ½

TRADING ACTIVITY

† Volume Millions	Sep 3	Sep 2	Sep 1
New York SE	195.917	259.684	244.963
Amex	16.845	22.133	17.265
NASDAQ	218.700	294.779	281.360
NYSE			
Issues Traded	2,615	2,614	2,589
Rises	1,028	936	1,009
Falls	891	1,020	926
Unchanged	696	658	654
New Highs	151	159	176
New Lows	72	10	9

CANADA

TORONTO	Sep 3	Sep 2	Sep 1	Aug 31	1993 HIGH	1993 LOW
Metals & Minerals	3105.51	3115.22	3121.13	3109.19	3140.94 (16/8)	2743.31 (21/1)
Composite	4125.80	4137.08	4143.70	4137.60	4143.70 (1/9)	3275.80 (21/1)
MONTREAL Portfolio	1955.22	1957.40	1963.55	1958.99	1963.55 (1/9)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

	Sep 7	Sep 6	Sep 3	Sep 2	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1967.8	1962.5	1952.0	1968.4	1977.10 (1/9)	1495.00 (13/1)
All Mining (1/1/80)	851.4	850.3	851.6	868.9	904.50 (2/8)	594.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	398.48	401.47	402.25	400.58	403.05 (31/8)	360.26 (14/1)
Traded Index (2/1/91)	1012.17	1018.13	1018.88	1015.19	1018.13 (6/9)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	1333.56	1341.52	1350.84	1315.50	1365.70 (12/8)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	335.59	334.78	335.32	337.22	340.58 (19/8)	281.90 (4/1)
FINLAND						
HEX General (28/12/90)	1374.5	1361.5	1371.3	1375.4	1492.90 (19/8)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	591.21	598.51	595.32	593.90	600.51 (31/8)	471.24 (13/1)
CAC 40 (31/12/87)	2137.28	2157.86	2156.09	2165.12	2216.49 (31/8)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	735.27	736.02	743.36	738.03	748.41 (31/8)	598.92 (14/1)
Commerzbank (1/12/53)	2086.4	2098.3	2120.3	2108.7	2125.60 (31/8)	1694.30 (14/1)
DAX (30/12/87)	1885.90	1910.28	1925.16	1925.62	1944.89 (31/8)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	7548.71	7519.66	7512.13	7493.45	7605.26 (19/8)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1729.38	1735.25	1740.44	1740.72	1754.84 (19/8)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	608.75	616.90	628.95	620.88	632.86 (30/8)	448.33 (6/1)
MIB General (4/1/93)	1340.0	1357.0	1383.0	1365.0	1390.00 (30/8)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20962.10	21060.81	21116.21	20983.20	21116.21 (3/9)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1689.78	1696.91	1698.67	1693.98	1698.67 (3/9)	1250.06 (25/1)
2nd Section (4/1/68)	2276.76	2281.85	2270.25	2268.58	2384.97 (7/6)	1651.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	849.70	848.40	851.43	851.16	851.43 (3/9)	614.28 (13/1)
NETHERLANDS						
CBS Tt.Rtn.Gen.(End 1983)	374.9	376.2	375.3	380.7	385.20 (31/8)	295.70 (4/1)
CBS All Shr (End 1983)	245.0	245.9	245.8	249.4	252.30 (31/8)	198.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	922.55	922.74	934.47	927.41	978.17 (13/8)	669.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1882.00	1877.11	1877.75	1842.72	1882.00 (7/9)	1270.88 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	519.85	519.49	516.08	512.14	519.85 (7/9)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1589.0¶	1653.0	1645.0	1722.0	2098.00 (30/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4579.0¶	4588.0	4598.0	4620.0	4719.00 (6/7)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	690.95	675.77	680.36	678.03	777.25 (9/6)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	294.94	292.88	294.36	298.31	304.88 (30/8)	215.60 (4/1)
SWEDEN						
Affarsvariden Gen. (1/2/37)	1284.4	1290.7	1282.7	1273.9	1339.10 (18/8)	879.10 (29/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1047.3	1043.2	1062.1	1066.0	1077.90 (25/8)	904.80 (11/1)
SBC General (1/4/87)	836.8	824.4	839.2	844.8	854.70 (25/8)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	3874.03	3815.54	3817.12	3862.70	5013.26 (7/4)	3088.43 (8/1)
THAILAND						
Bangkok SET (30/4/75)	996.72	988.45	991.32	987.11	998.44 (25/1)	818.84 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	603.0*	605.2	600.8	600.2	605.20 (7/9)	488.60 (13/1)
Euro Top-100 (26/6/90)	1103.68	1109.24	1120.01	1119.85	1138.15 (30/8)	882.73 (13/1)

**Saturday September 4: Taiwan Weighted Price; 3856.30, Korea Comp Ex; 685.66.
¶ Subject to official recalculation. *Calculated at 15.00 GMT

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 28 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Tuesday, September 7, 1993

	Stocks Traded	Closing Prices	Change on day
Oki Elec	4.9m	555	+10
Nikkatsu	4.8m	25	-2
Fujitsu	3.7m	839	+3
Daiei	2.8m	1,440	+40
Nippon Steel	2.8m	367	
Mitsui Min & Sml	2.2m	506	-2
Sumitomo Mtl Ind	2.1m	333	-5
Mitsubishi Hvy	2.1m	689	+6
Hitachi	1.9m	870	-13
Yoshitomi Pharm	1.8m	1,240	+20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close September 7

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng. Prev. Close
14⅝	11½	AAR Corp	0.48	3.7	58	285	13½	13	13⅛	
29⅝	13¾	A L Labs A	0.18	1.0	36	579	16¼	17⅞	18	-⅛
68½	54⅝	AMP Inc	1.60	2.4	23	1462	65	65½	65¾	-⅛
72¾	55½	AMR			16	4379	65½	64¾	64¾	
8⅞	1¾	ARX			11	220	3⅛	3	3	-⅛
51½	29⅞	ASA	2.00	5.0	26	2182	41	39½	39⅝	-3
30¾	22⅝	Abbott Lab	0.68	2.6	18	5362	26½	26	26¼	-⅜
12⅝	9⅝	Abitibi Pr	0.50	5.3	4	4	9⅝	d9⅜	9⅜	
15¼	9¼	Acptcsle			44	35	14⅝	14⅛	14⅛	-⅛
36	28½	ACE Ltd	0.63	1.8		574	34⅝	34½	34⅝	
12	10¾	ACM Gvt In x	0.96	8.6		578	11⅜	11⅛	11⅛	+.32
10	9⅛	ACM GvOpp x	0.80	8.3		67	9⅝	9⅝	9⅝	+.67
9⅞	8¾	ACM Gvt Sc x	0.80	8.4		654	9½	9½	9½	
11⅝	10½	ACM Gvt Sc	0.96	8.6		1656	11¼	11⅛	11⅛	
11⅝	9⅝	ACM Man x	1.08	9.5		168	11⅜	11¼	11⅜	+1.21
9⅞	8⅝	ACM Managd x	0.72	7.8		71	9¼	9⅛	9¼	+.48
12⅞	7¾	Acme Cleve	0.44	5.0	11	80	9¼	8⅞	8⅞	-⅜
9¼	6½	Acme Elect			49	3	7	7	7	-⅛
27⅞	18⅝	Acordia	0.44	1.6	16	35	27½	27⅜	27½	-⅛
16	10⅝	Acuson			33	768	12⅛	11¾	12	+⅛
21¾	19	Adams Expr	0.48	2.4	1	117	19⅞	19⅝	19¾	-⅛
68¼	46½	Ad Micro	3.00	5.2		763	58	57	57½	-2½
32¾	17⅝	Ad Micro P	3.00	11.0	10	18114	27⅞	27⅛	27¼	-1⅞
7¾	5½	Advest Grp	0.16	2.3	12	83	7⅛	7	7	
24¾	16⅛	Advo Inc	0.08	0.5	18	30	17⅜	17	17	-¼
49¾	41⅛	Aegon ADR	1.23	2.5	9	145	49⅝	49¼	49¼	+½
60½	43⅝	Aetna Lf	2.76	4.6	41	1472	60	59¾	60	+⅜
14½	11½	Ahl A	0.26	1.9	29	825	14	13¾	13⅞	-⅛
34	25¾	Ahlac	0.40	1.2	16	595	32⅞	32½	32⅝	-⅜
22⅛	16¼	Ahmanson	0.88	4.4	8	3450	20¼	19¾	20	+⅛
7¾	4	Aileen Inc			5	65	4¼	4⅛	4⅛	-¼
46½	24⅞	Air Pr Chm	0.92	2.2	16	2042	42¼	41⅝	41⅝	-1
28½	18⅛	Airborne Frt	0.30	1.3	29	762	22½	22⅛	22¼	-⅜
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4 pm close September 7

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22	15½	S Anita Rt	1.36	7.9	15	133	17½	17¼	17¼	-⅛
20¾	14⅞	SCOR US Cp	0.32	2.1	193	55	15¾	15½	15½	-⅛
29¾	20	SPS Techno	1.28	4.6	20	105	28¼	27⅞	27⅞	-⅜
14⅞	12⅞	Sabine Rt	1.74	11.8	10	78	u14⅞	14⅝	14¾	
13¾	8⅞	Safecard	0.20	1.6	12	518	12½	12¼	12⅜	
23½	16⅞	Safeg'd Sc			10	24	21½	21⅛	21⅛	-¼
24¾	14⅞	SafetyKln	0.36	2.2	24	1167	16	15⅝	16	-⅜
19½	10⅞	Safeway			29	1695	19	18¾	19	+⅜
4¼	2	SafewayW96				110	u4¼	4⅛	4⅛	+⅛
55	37½	StJoePaper	0.20	0.4	147	127	52½	50¼	50¼	-2¼
37⅞	31	StJoeLAP	1.76	4.7	15	4	37½	37¼	37¼	-⅛
94	75	St Paul's	2.80	3.1	14	803	91½	90½	90⅝	-⅞
11⅜	7⅞	Salant Crp			4	20	9	8¾	9	+¼
75¼	39⅞	Sallie Mae	1.20	2.6	10	1285	45¾	45¼	45⅜	-⅜
14¼	13	Salomon Br	0.32	2.3		405	14	13⅞	13⅞	-⅛
51⅞	34	SalomonInc	0.64	1.3	12	3279	51	50¼	50½	-⅛
27¾	23¼	SanDgo G&E	1.48	5.5	14	475	27¼	26¾	27	-⅛
4⅜	3½	SantaFeEDu	0.40	10.7	37	42	3⅞	3¾	3¾	
11⅞	9⅛	SantaFeERs	0.16	1.6	493	2091	10⅝	9⅞	9⅞	-⅝
40¼	35¼	SantaFePac	2.80	7.4	13	128	38⅛	38	38	-⅜
19	12¾	SantaFPac	0.10	0.6	111	3051	18⅜	17⅞	17⅞	-⅜
31⅛	21	Sara Lee	0.58	2.2	16	5831	26½	26⅛	26¼	-⅛
51⅞	40⅛	Scana Corp	2.74	5.4	15	437	51¼	51	51⅛	
25¼	21½	Scecorp	1.42	5.6	15	3298	u25⅜	25⅛	25⅜	+¼
30⅞	23⅞	ScherrerRP			24	74	29⅜	29⅛	29¼	+⅛
70⅞	51¾	SchergPl	1.80	2.9	15	2812	62⅛	61¼	61⅝	-⅝
68⅞	21⅜	Schl'berger	1.20	1.8	25	6795	67¾	66½	66¾	-¾
34	16½	Schwab(C)	0.20	0.6	19	2025	34	33	33	-¼
7¾	5⅝	Schwitzer			45	34	7¾	7½	7¾	
37⅞	17¾	Scientfdn x	0.12	0.3	55	677	38⅞	36⅝	36¾	+¾
13⅝	9⅛	Scotman	0.10	0.7	14	100	u13⅞	13⅜	13⅜	+⅛
41	31	ScottPaper	0.80	2.3	20	683	34½	33¾	34⅛	

AMEX COMPOSITE PRICES

4 pm close September 7

NASDAQ NATIONAL MARKET

4 pm close September 7

AMERICA

US markets subdued despite rally in bonds

Wall Street

US share prices were flat-to-lower in modest trading yesterday morning in spite of further gains in a booming bond market, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 5.32 at 3,628.62. The more broadly based Standard & Poor's 500 was up 0.20 at 461.54, while the Amex composite was 2.20 lower at 459.37, and the Nasdaq composite down 3.79 at 745.92. Trading volume on the NYSE was 130m shares by 1 pm, and declines outnumbered rises by 952 to 888.

Dealers and investors returned from the long holiday weekend in a subdued mood. Analysts said that if the strong rally in bond prices continued it may not provide much of a help to stocks because investors are increasingly worried that the bull market in both stocks and bonds may soon face a correction, temporary or otherwise.

The autumn is traditionally a time to reassess market conditions, and analysts worry that the record-breaking summer for both stock and bond prices might prompt a quick and sharp sell-off by investors fearful that both markets have become overbought.

This theory was put forward as a possible explanation for why another big decline in bond yields yesterday failed to lift stocks, which were stuck in a narrow trading range either side of opening values all morning. Some dealers also blamed the weakness in prices on losses on overseas markets and sporadic profit-taking.

Among individual stocks, Baroid Corporation jumped $⅝ to $8½ in volume of 2m shares after Dresser Industries announced that it had reached an agreement to acquire the oil services company for $900m in stock. News of the deal left Dresser shares $¼ lower at $22⅞.

Gold stocks fell sharply as gold prices plunged on the commodities exchanges. Newmont Mining slipped $2¼ to $45⅞, Homestake Mining eased $1⅜ to $16⅞, Battle Mountain Gold gave up $1 at $7⅞, and Newmont Gold fell $2⅜ to $40⅛.

Falling interest rates buoyed bank stocks, which have been a neglected sector of the markets lately. Chase Manhattan added $¾ at $35⅝, Citicorp gained $⅝ at $33⅝, Chemical put on $⅝ at $41⅛, Banc One firmed $¾ to $42 and BankAmerica rose $⅝ to $46⅞.

Advanced Micro Devices, down $1⅝ at $27⅛, ran into heavy selling for the second consecutive day in the wake of last weeks' revelations about its microprocessor development programme.

On the Nasdaq market, Total Pharmaceutical Care soared $7⅞ to $21⅛ in volume of 1m shares on the news that the company is being bought by Abbey Healthcare (down $⅝ at $22¼) for $197m.

Canada

TORONTO was led lower by weakness in gold shares as Comex bullion prices slipped to its lowest level since May.

The TSE-300 index fell 57.85 to 4,067.74 by noon in volume of 35.7m shares, compared with 26.2m last Friday.

Among actively traded gold issues, Placer Dome fell C$2¼ to C$24⅝ and American Barrick was C$1⅞ lower at C$30.

EUROPE

Frankfurt falls by 1.3% in low turnover

DOUBTS began to emerge that the Bundesbank may not move on rates tomorrow, and some bourses took this as a signal to move lower, *writes Our Markets Staff.*

FRANKFURT fell below the 1,900 level although turnover remained low throughout the session, only spiking in the car sector. The DAX index ended off 24.32 or 1.3 per cent at 1,885.96 in turnover of DM6.3bn. In the post-bourse the index slipped back further to 1,878.84.

Some analysts noted that most investors were unwilling to take positions ahead of tomorrow's Buba meeting, particularly as a view was beginning to take hold that there might not be a significant reduction in interest rates, or that the council members might wait until their next meeting on September 23.

The car sector remained active with Volkswagen sliding a further DM10.50 to DM361.50 and Daimler down DM10.60 at DM730.50.

The correction in **PARIS** continued, with a fall in the CAC-40 index of 20.67 to 2,137.29. Turnover was a low FFr2.8bn.

Lafarge Coppée, the cement group, was among the heaviest losers on the day, closing down FFr17.80 at FFr409.50 after reports that the company was to consider a capital increase at its board meeting next week.

Elsewhere, Carrefour continued to perform well after interim results, rising FFr31 to FFr3,111.

In the media sector, Canal Plus put on another FFr20 to FFr1,324 following the announcement of reorganisation plans for the television sector, while Générale des Eaux, a shareholder in Canal Plus, added FFr34 to FFr2,640. The latter has recently attracted an upgrade from Hoare Govett from hold to buy. There have been reports that Générale des Eaux might realise a capital gain from swapping all or part of its 20 per cent holding in Canal Plus for a stake in Havas.

Total fell FFr5.10 to FFr304.10 ahead of today's results.

MILAN remained under pressure, the Comit index falling 7.15 to 609.75 in volatile conditions, amid worries about rights issues and expectations of some movement on German interest rates on Thursday.

Mediobanca, the merchant bank, shed L864 or 5 per cent to L16,434 in response to its planned rights issue, announced late on Monday. The move prompted speculation yesterday that it might be planning to use the cash as part of a consortium to buy BCI, the privatisation candidate.

Fiat continued to lose ground on continuing worries that it might be planning a capital raising exercise, the shares falling L178 or 2.7 per cent to L6,409.

Ferruzzi's continued advance, up L37.2 to L411.7, prompted speculation that the banks preparing a rescue package were building stakes.

ZURICH made up some of the ground lost on Monday, the SMI index rising 10.9 to 2,403.4, although there was concern that further profit-taking could emerge in the absence of clear-cut moves towards lower European interest rates.

STOCKHOLM saw Volvo Bs down SKr25 at SKr458 following Monday's news of its merger with Renault. Unibank Securities, in an initial comment on the deal, said that negative factors for Volvo included the fact that the Swedish car group was to lose "absolute control over its industrial core", while the positive elements included long term development funding.

The Affärsvärlden general index fell 6.3 to 1,284.4 in turnover of SKr1.2bn.

AMSTERDAM slipped back, assisted by a loss in Ahold of Fl 1.80 to Fl 91.20, after reporting interim results which disappointed some investors. The CBS Tendency index fell 0.9 to 126.4.

ATHENS was put under pressure by fears that the government might be forced into holding early elections. The general index, which was marked 5 per cent lower at one stage, erased some of the loss to close 25.81 or 3 per cent easier on the day at 820.90.

WARSAW, which has also been testing record highs recently, was another of Europe's smaller markets to fall back, the WIG index shedding 420 or 5.6 per cent to 7,141.3. Turnover was a record 1,360bn zloty.

TEL AVIV retreated on profit-taking after six consecutive sessions of gains. The Mishtanim index fell 7.54 to 221.50.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

September 7 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1287.08	1286.32	1286.96	1285.44	1282.31	1283.71	1279.94	1277.38
FT-SE Eurotrack 200	1371.02	1371.43	1372.00	1370.67	1366.93	1369.19	1366.61	1365.81

	Sep 6	Sep 3	Sep 2	Sep 1	Aug 31
FT-SE Eurotrack 100	1284.01	1293.60	1302.75	1305.63	1319.96
FT-SE Eurotrack 200	1371.90	1384.27	1385.48	1385.51	1396.45

Base value 1000 (26/10/90) High/day: 100 - 1287.50; 200 - 1373.59 Low/day: 100 - 1276.99 200 - 1364.55.

Singapore finds favour with foreign investors

Relaxation of rules governing savings has also boosted activity, writes **Kieran Cooke**

A year ago it was hard to find a happy broker in Singapore. The market was in the doldrums while Hong Kong and other regional centres were stealing all the attention. Volumes were low and margins were tight.

Now things are very different. Even the most diffident of brokers admit that they have never had it so good. Until yesterday the local Straits Times Industrial Index was attaining record highs, closing on Monday at 2,045, compared with 1,500 at the start of 1993 and around 1,300 a year ago. Yesterday the market fell back on profit-taking, ending at 2,036.

Singapore has benefited from the general advance in global equities. Foreign funds, particularly from the US, have been pouring into east Asia, one of the world's most dynamic economic regions.

A number of Malaysian stocks are traded in Singapore over the counter and the recent vigour of the Kuala Lumpur market has also helped to push the STII to new highs.

"Singapore has been caught up in the general optimism about economic prospects in this part of the world," says Mr Tom Inglis of Peregrine Securities in Singapore. "There are enormous funds now flowing into the market here; Singapore has become fashionable again."

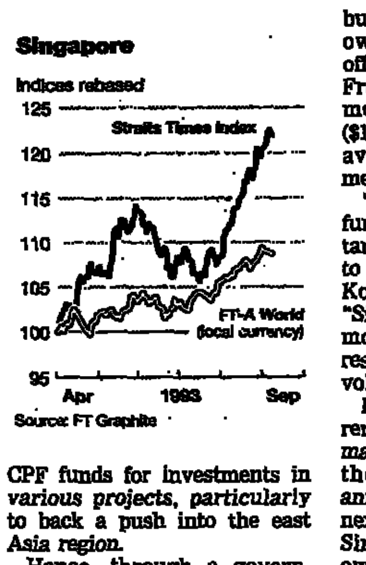
Local factors have also helped. The economic fundamentals remain sound, with growth in 1993 of 5.8 per cent, and signs of more robust growth this year. Growth was 7.1 per cent in the first quarter and 10.1 per cent in the second, partly due to a surge in earnings from the financial services sector and the equity market revival.

Corporate news has also been positive, withbanks, which account for more than 25 per cent of market capitalisation, averaging earnings growth of about 30 per cent.

The government, famous for its planning skills, has had a direct role in the revival of equities. Both corporate and personal taxes were lowered earlier this year and there have been a number of new listings, including some of the bigger, more profitable state concerns.

Most importantly the government relaxed rules governing the use of funds from the Citizens Provident Fund, a compulsory national savings scheme. Until recently CPF funds could only be used for property purchases and investment in a limited number of stocks.

The government has become worried about rampant inflation in the property sector and wants to release a portion of



Source: FT Graphite

CPF funds for investments in various projects, particularly to back a push into the east Asia region.

Hence, through a government sponsored media campaign, Singaporeans are now being actively encouraged to buy shares. Incentives to share ownership are also being offered to CPF account holders. From the beginning of next month more than S$22bn ($14bn) of CPF funds will be available for equity investment.

"The release of the CPF funds is one of the most important factors in giving buoyancy to the market," says Mr Lim Kok Ann of Merrill Lynch. "Singapore is becoming a far more liquid market – as a result it will also become more volatile."

But Singapore is likely to remain a carefully controlled market. This was reflected in the recent government announcement giving details of next month's partial float of Singapore Telecom, the state owned telecommunications and postal service.

Brokers had been billing the float as the single biggest privatisation so far in south-east Asia, valued at between S$20bn and S$25bn, equivalent to about 20 per cent of total market capitalisation.

But the ST float has been structured very conservatively. The government plans an initial float of only between 6 and 8 per cent of ST, with 50 per cent reserved for Singaporeans, the rest available to local and foreign investors through tender. The ST float will set the pattern for future listings of state companies, including the public utilities board and the port of Singapore.

"The government is playing the ST float very carefully," says one broker. "It knows that there is plenty of local liquidity and it is going to make sure that foreigners do not pick up a prime state asset like ST cheaply. You cannot blame the government – but it does take the fun out of things."

ASIA PACIFIC

Nikkei average settles below the 21,000 level

Tokyo

INVESTORS remained on the sidelines ahead of the release of the Bank of Japan's tankan, or quarterly report on business *sentiment, and share prices* lost ground on profit-taking, *writes Emiko Terazono in Tokyo.*

The 225-issue average shed 98.71 to 20,962.10, falling below the 21,000 level for the first time in three trading days. The index opened at the day's high of 21,065.81 and fell to a low of 20,880.19 just before the close. Some financial institutions were seen reshuffling their share portfolios, while the downside was supported by index-linked buying by investment trusts.

Volume came to 250m shares, against Monday's 247m. Many foreign buyers were absent following the US holiday on Monday. Declines outpaced gains by 703 to 280, with 198 issues unchanged. The Topix index of all first section stocks slipped 7.13 to 1,689.78, and in London the ISE/Nikkei 50 index eased 0.66 to 1,291.53.

Investors failed to react to local press reports which forecast a reduction in the official discount rate next week. Instead, some market participants were discouraged by denials by Mr Morihiro Hosokawa, the prime minister, of a second supplementary package suggested in a leading daily newspaper.

However, some analysts believe that further talk of another economic package will support share prices. "We will see an inevitable process of consensus building towards a new fiscal package," wrote Mr Jason James of James Capel in a recent report.

Trading concentrated on the clearing of earlier positions. Retailers, which strengthened on earlier hopes of deregulation, lost ground on profit-taking, as did foods, which were higher on Monday ahead of the medical and bio-technology conferences.

Ito-Yokado, the supermarket chain, receded Y50 to Y4,960 and Seiyu lost Y50 to Y1,420. Ajinomoto, the foods manufacturer, dipped Y10 to Y1,460 and Kikkoman, the soy sauce maker, eased Y10 to Y1,010.

Telecommunication infrastructure-related issues, which have been hit by profit-taking recently, were higher. Oki Electric Industry, the most active issue of the day, put on Y10 at Y555, while Fujitsu gained Y3 at Y839.

However, Nippon Telegraph and Telephone declined Y8,000 to Y941,000 on rumours that interest among foreign investors had shifted to DDI, the long distance telecom company recently listed on the second section of the Tokyo stock exchange.

In Osaka, the OSE average relinquished 142.14 to 22,918.23 in volume of 27m shares. The index lost ground for the first time in four days on small-lot profit-taking.

Roundup

A FIRM mood took hold in many of the Pacific Basin markets.

AUSTRALIA saw a flurry of late buying which left the All Ordinaries index 5.3 higher at 1,967.8.

Commonwealth Bank forged ahead 35 cents to A$9.95 after posting an 8.4 per cent rise in annual net profits to A$443.1m. National Australia Bank was 20 higher at A$11.52.

Among media stocks, Nine Network climbed 32 cents to A$4.25 in response to its announcement of a 16.4 per cent increase in annual net profits.

NEW ZEALAND picked up from early lows to finish slightly firmer on the day, assisted by gains in Carter Holt Harvey, Telecom and Lion Nathan.

The NZSE-40 capital index was ahead 1.98 at 1995.79, after an early dip to 1,987.36.

SEOUL turned sharply higher after a flurry of late buying by individual investors, actively hunting bargains in the vehicle, steel and high technology sectors. The composite index advanced 15.18 to 690.95.

HONG KONG closed firmer, but off morning highs, in thin trade, inhibited by current high price levels. The Hang Seng index was finally 27.05 up at 7,546.71, after 7,563.49.

TAIWAN rebounded strongly after recent falls, although brokers cautioned that underlying investor confidence and the corporate profits outlook remained weak.

The weighted index was lifted 58.49, or 1.5 per cent, to 3,874.03 by a wave of late buying in speculative and government-related stocks. Turnover expanded to T$13.49bn.

KUALA LUMPUR continued to focus its attention on rumour-driven stocks and the composite index added 1.30 at 849.70.

Union Paper, hit hard by allegations of insider trading, recouped 85 cents to M$6.85 after Monday's M$6.20 drop as the shares resumed trading after a two-month suspension.

BOMBAY finished sharply lower after the exchange authorities announced a ban on short sales. The BSE 30-share index ended 87.67, or 3.3 per cent, down at 2,533.53 after a low of 2,515.50 at midsession.

The ban was intended to counter expected heavy selling pressure after the income tax authorities confiscated hundreds of thousands of shares held by proxies of broker Mr Harshad Mehta in nine companies.

SOUTH AFRICA

GOLD shares and mining financials fell in late trading as the bullion price declined. The golds index lost 64, or 3.9 per cent, to 1,589, which pulled the overall index down 45 to 3,907. The industrials index shed 11 to 4,580.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY SEPTEMBER 6 1993								FRIDAY SEPTEMBER 3 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	143.24	+0.7	139.08	94.35	120.05	147.20	+0.5	3.46	142.30	138.21	94.45	120.04	146.47	148.84	117.39	127.46
Austria (17)	180.43	+1.8	175.18	118.85	151.22	150.99	+0.1	1.28	177.24	172.14	117.64	149.51	150.90	180.43	131.16	155.09
Belgium (42)	151.89	+0.6	147.47	100.04	127.29	130.72	-0.7	4.38	150.98	146.64	100.20	127.36	131.62	156.76	131.19	144.33
Canada (107)	127.03	+0.1	123.34	83.67	106.46	122.16	+0.0	2.78	126.94	123.29	84.25	107.07	122.16	130.38	111.41	127.69
Denmark (32)	231.42	+0.6	224.69	152.43	193.95	209.07	-0.3	1.09	229.97	223.35	152.64	193.99	209.72	231.42	185.11	215.87
Finland (23)	107.26	+1.0	104.14	70.65	89.89	128.87	-1.1	0.82	106.18	103.13	70.48	89.57	130.36	118.56	65.50	58.51
France (97)	170.50	+0.8	165.54	112.30	142.88	151.98	+0.1	3.04	169.10	164.24	112.23	142.63	151.79	170.50	142.72	165.35
Germany (60)	128.67	-0.1	124.93	84.76	107.83	107.83	-0.7	1.95	128.77	125.06	85.48	108.62	108.62	128.77	101.59	118.34
Hong Kong (55)	296.97	+0.2	288.33	195.60	248.89	295.27	+0.1	3.34	296.44	287.92	196.75	250.07	294.98	301.61	218.82	233.01
Ireland (15)	173.06	+0.7	168.02	113.99	145.03	169.99	+0.0	3.29	171.79	166.85	114.02	144.91	169.92	173.06	129.28	158.31
Italy (70)	77.42	-0.4	75.17	50.99	64.88	90.14	-2.2	1.81	77.75	75.52	51.60	65.58	92.18	78.93	53.78	58.17
Japan (470)	161.78	+0.7	157.08	106.56	135.60	106.56	-0.1	0.78	160.70	156.08	106.66	135.58	106.66	165.91	100.75	114.67
Malaysia (69)	408.99	+0.8	397.09	269.37	342.75	400.95	+0.6	1.71	405.73	394.06	269.28	342.24	398.70	408.99	251.66	238.95
Mexico (19)	1760.32	-0.1	1709.13	1159.46	1475.28	5989.49	-0.1	0.82	1762.28	1711.59	1169.66	1486.54	5996.16	1764.86	1410.30	1308.73
Netherland (24)	187.18	+0.9	181.74	123.29	156.88	154.46	+0.0	3.50	185.56	180.23	123.16	156.53	154.40	187.18	150.39	166.30
New Zealand (13)	60.70	+0.0	58.93	39.98	50.87	59.10	-0.2	3.77	60.73	58.98	40.31	51.23	59.24	62.98	40.56	43.10
Norway (22)	177.15	+0.2	172.00	116.69	148.47	168.56	-1.2	1.57	176.85	171.77	117.38	149.19	170.61	177.31	137.71	143.80
Singapore (38)	290.46	+0.2	282.01	191.32	243.42	214.50	+0.0	1.81	289.98	281.64	192.47	244.61	214.48	290.46	207.04	191.87
South Africa (60)	188.44	+0.1	182.96	124.12	157.92	195.23	-0.1	2.65	188.18	182.76	124.89	158.73	195.37	215.29	144.72	187.26
Spain (43)	139.43	+0.7	135.38	91.84	116.85	138.85	-0.5	4.11	138.43	134.45	91.88	116.77	139.53	140.27	115.23	144.76
Sweden (36)	191.35	+1.7	185.79	126.04	160.37	224.14	+0.5	1.50	188.20	182.79	124.92	158.76	222.96	196.23	149.70	180.67
Switzerland (50)	136.41	-1.2	132.45	89.86	114.34	120.05	-1.9	1.81	138.04	134.07	91.62	116.46	122.34	138.04	108.91	116.25
United Kingdom (218)	190.29	+0.1	184.75	125.32	159.46	184.75	+0.1	3.80	190.10	184.63	126.16	160.34	184.63	190.29	162.00	186.39
USA (520)	188.57	+0.0	183.08	124.21	158.04	188.57	+0.0	2.72	188.57	183.14	125.16	159.07	188.57	189.40	175.38	169.97
Europe (749)	159.19	+0.2	154.56	104.85	133.42	147.72	-0.4	3.02	158.87	154.30	105.45	134.02	148.25	159.19	133.92	149.43
Nordic (113)	180.49	+1.3	175.24	118.88	151.26	184.66	+0.0	1.33	178.25	173.13	118.31	150.36	184.61	183.23	142.13	162.92
Pacific Basin (714)	165.62	+0.6	160.80	109.09	138.80	113.96	-0.1	1.03	164.56	159.83	109.22	138.61	114.02	168.80	105.69	116.53
Euro-Pacific (1463)	162.86	+0.5	158.13	107.26	136.48	127.87	-0.2	1.83	162.11	157.45	107.59	136.74	128.09	162.86	117.26	131.03
North America (627)	184.74	+0.0	179.37	121.70	154.85	184.04	+0.0	2.72	184.73	179.42	122.63	155.86	184.04	185.59	171.51	167.32
Europe Ex. UK (531)	139.43	+0.3	135.38	91.86	116.88	126.23	-0.6	2.51	139.06	135.06	92.32	117.33	127.04	139.43	112.51	127.14
Pacific Ex. Japan (244)	203.81	+0.4	197.89	134.27	170.83	190.72	+0.3	2.96	202.96	197.12	134.73	171.22	190.18	204.92	152.70	156.38
World Ex. US (1649)	162.89	+0.4	158.16	107.30	136.52	129.91	-0.2	1.86	162.17	157.51	107.65	136.80	130.13	162.89	118.51	132.20
World Ex. UK (1951)	168.50	+0.3	163.60	110.99	141.23	144.47	-0.1	2.00	167.99	163.16	111.51	141.72	144.65	168.50	134.22	139.92
World Ex. So. Af. (2109)	170.43	+0.3	165.47	112.27	142.84	147.70	-0.1	2.17	169.95	165.06	112.81	143.37	147.86	170.43	137.29	143.73
World Ex. Japan (1699)	177.11	+0.1	171.96	116.67	148.46	171.40	-0.1	2.82	176.94	171.85	117.45	149.28	171.59	177.11	157.47	160.81
The World Index (2169)	170.42	+0.3	165.47	112.26	142.84	148.13	-0.1	2.17	169.95	165.06	112.80	143.37	148.29	170.42	137.32	143.94

Constituent deletion with effect 8/9: Flogas (Ireland). Markets closed 6/9: Canada and US. Latest prices were unavailable for this edition.